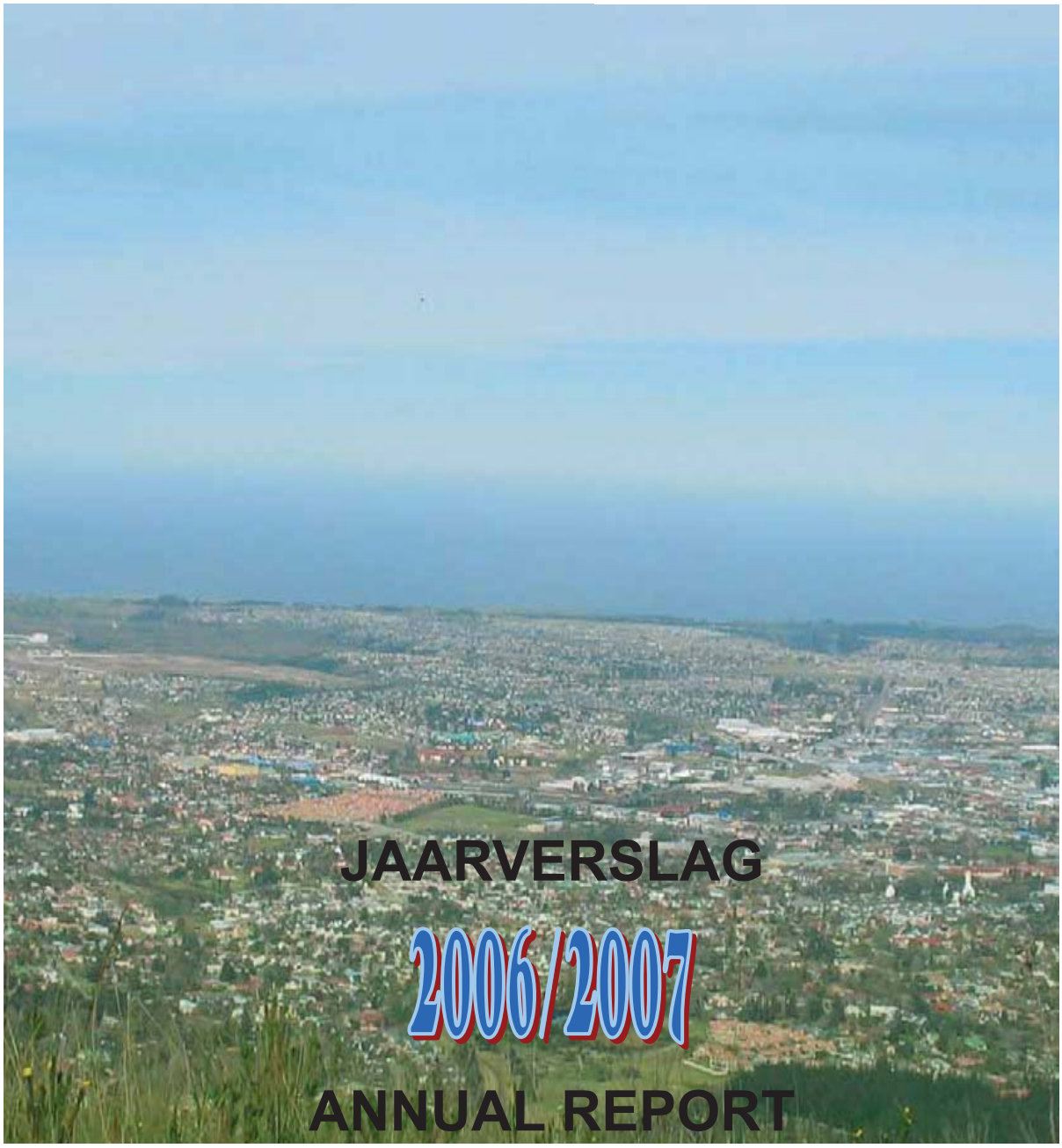
MUNISIPALITEIT
GEORGE
MUNICIPALITY



JAARVERSLAG

2006/2007

ANNUAL REPORT

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INHOUDSOPGAWE
ANNUAL REPORT 2006/2007

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1. Inleiding en Oorsig
Introduction and Overview



1.1 FOREWORD BY THE EXECUTIVE MAYOR ALDERMAN BAZIL PETRUS

VOORWOORD DEUR DIE UITVOERENDE BURGEMEESTER, RAADSHEER BAZIL PETRUS

George is the established administrative and regional hub of the Southern Cape region, which is rapidly developing into the next metropolis of the Western Cape Province.

George is reeds gevestig as die administratiewe en streek sentrum vir die Suid-Kaap, wat vinnig besig is om te ontwikkel in die volgende metropolis van die Wes Kaap Provinsie.

The financial position of the George Municipality is presently sound enough, not only to have been able to provide and deliver all the essential services required by our citizens in 2007, but we also managed to successfully engage, finance, conclude and start several new dynamic projects to improve and expand infrastructure in order to facilitate further growth, attain very significant successes in poverty reduction whilst addressing the needs of our indigent population through local economic development and the continuation of highly effective, labour intensive, capital works programmes supplemented by the mobility strategy recently launched in George by the Department of Public works, that has the potential to revolutionize the demographic development of George within the foreseeable future.

Die finansiële posisie van die George Munisipaliteit is huidiglik kern gesond genoeg om nie alleen in die noodsaaklike munisipale dienslewering sbehoeftes van die inwoners in 2007 alleen te kon voorsien nie, maar kon daar ook geslaag word om ‘n aantal dinamiese projekte te identifiseer; te inisieer; te finansier en suksesvol te implementeer, wat die infrastruktuur in George beduidend opgradeer en verbeter het asook ‘n verskeidenheid maatskaplike suksesse wat behaal is om armoede te verlig en om in die behoeftes van armes te voorsien, wat bereik is deur plaaslike ekonomiese ontwikkelingsinisiatiewe en volgehoue kapitaalwerkeprogramme, aangevul deur die mobiliteitstrategie wat bekend gestel en geloods is deur die Departement van Openbare Werke en Vervoer, wat die potensiaal bied om revolusionere verbeteringe binne die demografiese ontwikkeling van George binne die afsienbare toekoms te bewerkstellig.

The noticeable confidence demonstrated in George through significant and continued investment by industrialists, developers and entrepreneurs in the Private Sector as well as the Public Sector, is very encouraging and promising for the

Die sigbare vertroue wat in George gestel word deur volgehoue investering deur nyweraars; ontwikkelaars en entrepreneurs in die Privaat Sektor sowel as die Publieke Sektor, is duidelik belowend en bemoedigend vir die toekoms. Die beleid van George Munisipaliteit sal wees om

future. We will continue to recruit new investment both nationally as well as internationally, through the selective establishment of potentially valuable bilateral relations with other cities which can be beneficial to George. The George Municipality will vigorously endeavour to perfectly align service delivery through effective implementation and management of our S.D.B.I.P. (Service Delivery Budget Implementation Plan) to improve the quality of living of all our citizens; embodied in a multi racial, integrated and democratic society.

I hereby wish to give recognition and acknowledge with gratitude, the significant inputs and valuable contributions made by all Councillors during 2007 and wish to express my appreciation and gratitude for competent management services rendered by the Municipal Manager; the Senior Managers and other officials for the service excellence produced in executing Council decisions.

It is indeed an honour and privilege to herewith introduce you to the detailed, George Municipal Annual Report for 2007, depicting budgeted and actual revenue and expenditure for the year under review, which adequately provides sufficient evidence and proof of the fact that George Municipality is providing "George, the city for all reasons" with equitable, sustainable and efficient service delivery, for all it's citizens!

ALDERMAN BAZIL PETRUS
EXECUTIVE MAYOR

deurlopende rekrutering van belegging op nasionale sowel as internasionale vlak aan te moedig en verwelkom deur die vestiging en uitbouiing van selektiewe bilaterale betrekkinge met ander vergelykbare stede wat voordelig vir George kan wees. George Munisipaliteit wil met energie en doelgerigtheid, deurlopend volhou om gehalte dienslewering te verbeter d.m.v. die verantwoordelike, doeltreffende bestuur van die Dienslewering Begroting Implementerings-plan (D.L.B.I.P.) sodat die lewenskwaliteit van al die inwoners, van ons veelrassige, ge-ïntegreerde en demokratiese gemeenskap gehandhaaf en verder verhoog kan word.

Ek wil hiermee graag erkenning gee en met dankbaarheid getuig van die belangrike en positiewe bydraes gelewer deur die Raadslede in 2007. Ek wil bevestig en ook my dank en waardering uitspreek teenoor die Munisipale Bestuurder en Senior Bestuurders sowel as ander amptenare, vir die uitmuntende dienslewering ontvang en vir die onbaatsugtige opofferinge gemaak, in hul uitvoering van die besluite geneem deur die Raad.

Dit is inderdaad my voorreg en eer om hiermee die George Munisipale Jaarverslag vir 2007 aan u bekend te stel, wat die begrote sowel as werklike inkomste en uitgawes vir die jaar onder oorsig stipuleer, wat onteenseglik bevestig en bewyse verskaf van die feit dat George Munisipaliteit bekostigbare, volhoubare en effektiewe dienslewering bied aan al die inwoners van " George, die stad vir alle redes!"

RAADSHEER BAZIL PETRUS
UITVOERENDE BURGEMEESTER



1.2 OORSIG VAN MUNISIPALE BESTUURDER
MUNICIPAL MANAGER'S OVERVIEW

INTRODUCTION

Another year of developing new strategies, improving skills, increasing service delivery and generally improving ourselves to excel in Local Government has come to pass. We look back at all the challenges we faced, as we close yet another Chapter in the history of one of the fastest growing towns in the Western Cape and how we managed them together with many opportunities.

This is where our employees build individual and organisational competencies to ultimately increase the performance and long term sustainability of our Town and improve on service delivery all the way.

BACKGROUND

Having taken the bold step of streamlining the organisation, similar services were clustered together. Through restructuring the senior management structure, increasing from seven to nine with eight smaller departments as opposed to six oversized unmanageable departments, driving delivery has become easier.

A continued growth in Customer Satisfaction levels and the increased Staff Compliment, which is not always commensurate with the growth of the Town, must by necessity show very positive results indeed. We have moved much closer to our Clients, understanding and aligning ourselves with their own objectives and needs.

The road behind us was not an easy one and the one ahead of us will not be any easier either, but with the expertise of dedicated men and women, in spite of the many skills shortages in specific fields, we will and have done so in the past year, weathered the storms, literally and figuratively speaking. There is some difficulty involved in finding the right people to fill important positions, especially on the technical side. Without the right people, service delivery suffers. We are currently addressing this problem.

Our swift actions during the major floods experienced in the early part of the financial year have proven that we are not only prepared and competent, but more importantly, willing to show real compassion during times of disaster.

At this juncture I want to salute all roleplayers from National, Provincial and Local Governments, Disaster Management Agencies, Rescue Services, the business sector and the public sector at large for their support during the floods of 2006/2007.

YEAR UNDER REVIEW

The George Municipality has zoomed in on Social and Economic Development and Environmental Management of the entire city. The Administration has fully implemented the Batho Pele principles which were adopted by Council. The scene has been set and the momentum is in place for improved service delivery, greater responsiveness and increased accountability.

The broad development strategies and targets are contained in the respective masterplans, which, in turn, are enshrined in the IDP. Major projects are in place and in the year under review, Building Plans with a building value in excess of R 684M were approved with a total of more than R 3M collected in Building Plan fees, which heralds robust economic growth in George. The value of Building Plans approved in any Financial Year in any Municipality must surely indicate a healthy economic growth. Major projects are, inter alia, Kraaibosch, Blue Mountain, Lagoon Bay and Destiny Africa. This is evident by the increasein Town Planning applications by more than 120%.

Essentially, the IDP has been (and should always be) compiled with a strong focus on service delivery and infrastructure investment with the aim to achieve strategic development goals. In the process we have pursued a more practical IDP, which is holistic in order to enhance municipal performance. The IDP is practical in the sense that ideally it focuses on:

- Dealing with backlogs
- LED initiatives
- How to alleviate poverty
- Socio economic development
- SDF
- Effective use of scarce resources
- Sustainable development
- Coordination between all spheres of Government
- Developing Municipal capacity within the IDP framework.

The successful implementation of the IDP was achieved through the bottom up approach, namely

- Full community participation
- Strengthening community structures
- Engaging local residents
- Providing accountable, transparent and fair representation
- Ensuring a consultative and sustainable process throughout.

The establishment of 20 Ward Committees makes it a lot easier to respond more speedily to the Community's needs and aspirations and provide a firm form of support to ensure fair and equitable service delivery.

We strive through the IDP, LED and SDF to bridge the gap between rich and poor through job creation, tourism, property investments and release of land for housing for the poor. An LED Charter, the first in the Country, was launched recently to make Local Economic Development a reality rather than a dream.

I can boast of a strong and sound Administration that is geared to fulfilling the needs of the Town with great diligence. Currently the Staff Compliment is 1017. We place a high premium on the Communities we serve.
R 229,611,998.00 capital budget was spent mainly on infrastructure maintenance and upgrading while R 509,649,981.00 was spent on operational matters.

George is known for striving to become the Sports Mecca of the Garden Route and, as such, has been hosting the International IRB Sevens rugby tournament for three consecutive years. It also hosts the annual Outeniqua Wheelchair race annually – the only one of its kind in South Africa! These and many more make people aware of the benefits of Sport to Society, besides the economic injection it brings.

The George Municipal Administration commits itself to:

- Equal access to services for all;
- Ensuring that Trust and Confidence prevail;
- Remaining transparent and accountable;
- Insisting on best practices for optimal service delivery;
- Sound financial management;
- Striving towards optimal Local Economic Development with the emphasis on job creation;
- Striving to create a platform for change;
- Corruption-free administration.

CHALLENGES FACING THE GEORGE MUNICIPALITY

a) Political Stability

It is a known fact that political instability inevitably causes administrative instability. The challenge is to ensure continued, sustainable political will and leadership.

b) Skills Scarcity

It is not unique to George and the problem is exacerbated by the high cost of property in George. New recruits cannot afford housing in George. Furthermore, salaries are not competitive. The issue is being researched at present.

c) Flooding

The Town experiences high incidents of serious floods, with often far-reaching implications and funding is often needed to remedy the situation. The challenge is to improve Inter-Governmental coordination and to enforce stricter bylaws and Town Planning regulations.

d) The NIMBY Syndrome (Not In My Back Yard)

A major problem is some development of affordable housing closer to economic opportunities, but property owners oppose this vehemently in terms of NIMBY, a world-wide phenomenon that effectively keeps such developments at bay. Revised Town Planning regulations and a more credible SDF should be put in place

e) Unqualified Audit Report

The aim is to strive towards an unqualified Audit Report by addressing the issues around Property, Plant and Equipment. I realise this will not and cannot be resolved overnight. However, the matter is being attended to.

LEGAL IMPERATIVE

In terms of Legal Frameworks, the Municipality must, for each financial year, prepare an annual report in accordance with Section 46 of the Systems Act of 2000 and Chapter 12 of the Municipal Finance Act no. 56 of 2003.

This report was compiled in relation thereto:

- A record of activities during the financial year;
- Record of performance against the budget of the Municipality;
- Provide accountability to the local communities for decisions made throughout the year;
- Annual financial statement for the year;
- Auditor General's annual report in terms of Section 126 (3) of the Municipal Finance Act and Section 45 (b) of the Municipal Systems Act;
- And Section 3 (a-k).

Furthermore:

In terms of Section 72 of the Municipal Finance Management Act, 2003 Act 56 of 2003, the Accounting Officer must:

Assess the performance of the Municipality during the first half of the financial year, taking into account the following:

- the monthly statements, detailing the expenditure on capital projects, income and expenditure;
- the municipality's service delivery performance during the first half of the year and service delivery targets and performance indicators set in the service delivery budget implementation;
- the past years' annual report and progress on resolving problems identified in the annual report.

Dit is net teleurstellend dat die George Munisipaliteit weereens 'n Gekwalifiseerde Ouditverslag ontvang het. Dit was steeds te wyte aan die oorskakeling na die nuwe rekenkundige raamwerk wat in die Munisipale Finansiële Bestuurswet (Wet 56 van 2003) voorgeskryf word. Die mening van die Ouditeur Generaal is egter dat die finansiële state wel die finansiële posisie van George Munisipaliteit weerspieël soos op 30 Junie 2007.

CONCLUSION

Appended below is a full account of the services rendered by each respective Senior Manager.

I submit this overview in appreciation of support rendered by all Councillors and the loyalty , cooperation and hard work I enjoy from my staff.

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1.3 OVERVIEW OF THE MUNICIPALITY AND DEVELOPMENT PLANNING

OVERVIEW OF THE MUNICIPALITY

In 1782 the French traveller and author, Francois le Vaillant visited Outeniqua land where George is situated today. He described the vista from the mountain when he overlooked the area as follows in the Dutch language:

"Bloemrijke velden en de Schoonste weiden zetteden dit heerlijk landschap nog meerder luister bij. Ik was waarlijk opgetogen van Verrukking..." *(Taken from "George: The story of the Town and District" by E.L.P. Stals published by the Municipality and Divisional Council of George in celebration of the hundred and fiftieth anniversary of George, 1961.)*

George is still a place richly bestowed with natural beauty. To conserve this beauty and to make provision for the unparallelled growth and development which the area is experiencing, create challenging demands on the City Council, the Municipality and all residents.

Geography

George is situated in the Western Cape Province, more or less mid-way between Cape Town and Port Elizabeth. The Municipal area is 1 068 square kilometres in extent and includes the following:

1. The City of George;
2. The Villages of Wilderness and Herold's Bay;
3. Various coastal resorts including Victoria Bay, Kleinkrantz and the Wilderness National Park;
4. Rural areas such as at Wilderness East, Geelhoutboom, Herold and Waboomskraal.

Demography

The population growth rate of George increased to **4.6% per annum** between 1996 and 2001, which is way ahead of the average population growth rate of the following for the same period:

- 2.7% of the Western Cape Province;
- 2.5% of the Cape Town Metropole;
- 3.6% of the Eden District.

Critical Challenges

The present population is estimated at approximately 166548 and 170 000 residents.

The provision of basic services to all residents does not only depend on available resources, but as the spatial development framework, also with the provision of housing to a growing population.

Although approximately 95% of all households in the urban areas have access to basic services, there are still specifick challenges which make the objective of 100% unattainable in the short term. These are the following:

- New environmental legislation which became effective before municipalities had the time to appoint the required skilled staff to bring projects in conformity with the requirements. Various projects are being delayed because the required environmental impact studies have not been approved as yet. An environmentalist was appointed in the mean time, but a backlog of approximately one thousand households was created.

- The transfer of land from the provincial administration still takes years to finalise and a further approximately 1 000 households are affected.

- The Municipality's staff structure still shows a shortage of approximately two hundred staff members which is delaying the planning and execution of projects.

- The provision of basic services in rural areas is a particularly complex issue. A survey to determine the real situation of farm workers, was completed in conjunction with the Eden District Municipality. The next step in the process, is the pro-active planning to provide basic services.

DEVELOPMENT PLANNING

According to the Municipal Systems Act of 2000, all municipalities have to undertake an integrated development planning process to produce integrated development plans (IDPs). As the IDP is a legislative requirement it has a legal status and supersedes all other plans within the George Municipality that guide development at local government level. The Integrated Development Planning (IDP) process for the 2006/07 financial year was characterized by a distinctive five phase approach, namely:

- Analysing community needs;
- Strategy development to address identified needs;
- Project development to realize developed strategies;
- Integration of various directorates to reach a common goal; and
- Approval of the finalized document

These characteristics will form the basis of this report.

1. ANALYSING COMMUNITY NEEDS

Integrated development planning is not a function of the municipality's Planning Department. Everything that all departments do including financial services and human resources, has to be guided by the municipality's management tool which is the IDP. As a result all departments have to get directly involved in the integrated development planning process."

- **Role of the Officials: George Municipality**

Engagement sessions regarding the IDP were held through pre-workshops sessions during January 2007. Directors, and in some cases Portfolio Councillors as well as senior managers and staff, were part of these sessions in preparation for the first IDP Strategic

Workshop held on 26 January 2007. During these sessions officials had the opportunity to give input on the role of the IDP at the George Municipality, what gaps existed and how the document could be amended for compliance to legislation and other policy directives. These sessions were focused on each directorate, highlighting their reason for existence, key performance areas and subsequent key performance indicators, using service and development backlogs and community input as a guide.
Officials, through the IDP and Budget Report back sessions, also had an opportunity to comment on the draft IDP prior to its adoption.

The municipal stakeholders

The IDP is about determining the stakeholder and community needs and priorities which need to be addressed in order to contribute to the improvement of the quality of life. Community and stakeholder participation in determining those needs is therefore at the heart of the IDP process. The Constitution and the Municipal Systems Act clearly stipulates that the municipality must mobilise the involvement

and commitment of its stakeholders by establishing an effective participatory process."



Two stakeholder engagement sessions were held the first was during September 2006 and the second during April-May 2007.

The stakeholder groups were:

Community, Management, Councillors, Agriculture, Business, Welfare and Environment

Terms of Reference for Stakeholder Sessions:

To ensure interaction and involvement of the broader community in the development and implementation of the IDP

The Process: Stakeholder engagement:

There was a concern regarding effective Community participation during September 2006, due to the floods that hit the area, which subsequently resulted in poor attendance in certain areas. A public participation plan to remedy the situation was drafted and inputs from the community were given further consideration during the feedback sessions held in April 2007 and subsequently included in the Budget. All consultation sessions took place according to plan and the Councillors of the George Municipality were very passionate about creating a



credible document which resulted in three Strategic Workshops in order to achieve this.

The IDP Representative Forum also played a key role in the review process of the current IDP. The representative forum is currently under review to play a more effective role in the IDP process in order to fast track the implementation of developmental priorities through its advisory role. Stakeholders have already been identified and a draft terms of reference has been prepared.

Provincial and National sector departments

The IDP should serve as a guide when sector departments allocate their resources at local government level. At the same time, the municipality should take into consideration the sector departments' policies and programmes when developing its own policies and strategies. It is in the interest of the sector departments, therefore to participate in the integrated development planning process to ensure that there is alignment between its programmes and that of municipalities.

Role of Provincial and National sector departments in the IDP Process: George Municipality

Currently LGMTEC sessions are being held with Municipality's. The purpose of these sessions is to determine the credibility of the relevant IDP as well as to assist Municipality's with their IDP Process. George Municipality is represented on the IDP Manager's Forum to ensure alignment to the District Municipality's IDPs as well as improved intergovernmental relations and knowledge sharing for effective planning. A highlight on the IDP calendar was the international IDP conference held in Cape Town during March 2007, which also promoted effective knowledge sharing by all IDP counterparts.

2. STRATEGY DEVELOPMENT TO ADDRESS IDENTIFIED NEEDS

Role of the Councillors: George Municipality

"Councillors have to play a leading role in the IDP process. Not only is the IDP a mechanism through which they have to make decisions, it also contains their constituency's needs and aspirations. Councillors have to participate therefore to ensure that their communities' issues are well reflected and addressed.



Three strategic workshops were held with Councillors as well as Management (Directors and first line Managers) concerning strategic issues relating to the IDP. These were as follows:

26 January 2007:	Situational Analysis of Our IDP
16 February 2007:	Aligning to the 'ABC of IDPs' document supplied by the Western Cape Provincial Government with specific emphasis on complying with

the credible IDP indicators.

21 February 2007: Ensuring that the needs of the community are met through the Vision and Key Performance Areas of the Institution.

These workshops have set the tone for a deepened debate regarding the IDP of the George Municipality. It should be noted that at the workshop held on 21 February 2007 the Vision as changed and Key Performance Areas of the Institution were amended to fully align with those of National Government.

The Developmental Priorities as set out in the IDP are thus:

- **Service Delivery**
- **Local Economic Development**
- **Financial viability**
- **Municipal transformation and Institutional Development**
- **Good Governance**

Future role of Councillors

The abovementioned sessions were held with permanent Councillors and it is envisaged that training on the IDP and IDP related matters be done with all councilors through the ward committee structures.

These sessions, due to certain contstraints only took place during the new financial year in September 2007.

3. PROJECT DEVELOPMENT TO REALIZE DEVELOPED STRATEGIES



Each Directorate developed projects to address the needs as identified by the stakeholders. A budget document indicating the needs as well as the applicable directorate responsible for addressing those needs was made available by the Strategic Planning Unit as a guide. Directorates confirmed at a pre-budget meeting that those needs were addressed in their respective chapters. The IDP for the 2006/07 financial year also produced a 'first' for George Municipality through the inclusion of Chapters for various Directorates clearly identifying the reason for existence as well as the Directorates objectives to achieve the Developmental Priorities and ultimately the Vision. Executive summaries of the sector plans were also included in the chapters of directorates which are responsible for its execution. The sector plans included are:

- Disaster Management;
- Local Economic Development;
- Draft Spatial Development Framework;

- Transport Plan
- Housing Plan
- Financial Plan; as well as the
- HIV and Aids Strategy

Projects were also developed as per the 'credible IDP indicator' guide provided by the Western Cape Provincial Government: Local Government and Housing Department.

4. INTEGRATION

Projects were developed, as previously mentioned, in line with strategies and objectives, the resource framework and also in compliance with legal requirements. A major challenge in project development and implementation remains a lack of financial and operational resources such as staff. The George Municipality also furthered integration by clearly indicating how the IDP for the 2006/07 has ensured the Municipality's alignment to:

The Provincial Growth and Development Strategy, iKapa Elihumayo; and
The National Spatial Development Perspective.

5. APPROVAL OF THE IDP

The IDP draft document was adopted on the 28 March 2007 with minor input from the community. The public was granted its 21 day period for comment on the IDP. Gaps were identified and addressed for the final draft which was adopted on 29 May 2007 at a full Council meeting. The public was duly notified of the adoption of the IDP and its availability at Ward Councillor's Offices as well as at Municipal Libraries and the Strategic Planning Unit.



ACHIEVEMENTS OF THE IDP FOR 2006/07 COULD BE SUMMARIZED AS FOLLOWS:

Improved public participation and stakeholder involvement in the analysis phase of the IDP;

- A credible IDP document;
- Development of a clearly defined statement of intent document aligned to Provincial and National directives; as well as
- An IDP which addresses the needs identified by its community.

CHALLENGES FACING THE GEORGE MUNICIPALITY WITH REGARD TO THE IDP

Staff shortages;
Budget constraints; and
Accurate statistics;

CONCLUSION:

The draft IDP was approved on 28 March 2007 and the final IDP was adopted at a Council meeting held on 30 May 2007, after an analysis of the service delivery and development needs, as identified by Stakeholders. The IDP approved IDP document serves as a guide and is the single, inclusive and strategic plan for the municipality. Consideration was given to National and Provincial directives with the Municipal Systems Act of 2000 being the guideline for the development and review of the IDP.

A Spatial Development Framework Executive Summary is included in the IDP, although still in draft format. However, Community needs were prioritised as per ward clustered public participation sessions. All sector plans, as prescribed, were included in the relevant chapters of the IDP as an executive summary.

WAY FORWARD FOR THE IDP PROCESS

The George Municipality has developed and IDP during a very challenging period due to the appointment of IDP Staff during the IDP Process (September and October 2007). This however, has not influenced the development of a credible document. During the 2007/08 financial year the George Municipality will improve on its IDP as well as intensify its long term strategy so as to achieve its Vision.

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1.4 REPORT OF THE CHIEF FINANCIAL OFFICER FOR THE YEAR ENDED 30 JUNE 2007

1. INTRODUCTION

During the previous financial year, 2005/06, municipalities classified as high capacity municipalities were for the first time fully confronted with the implementation of financial statements with the basis of accounting being the financial standards applicable internationally in the private sector.

This resulted in the majority of municipalities receiving qualified audit reports from the Auditor-General and as was the case in George Municipality, these qualifications were of a very technical nature. The conversion from the previous standards required information and processes that were not readily available previously and in some instances did not on a value for money basis warrant implementation.

National Treasury promulgated exemptions from some of the accounting standards in Government Gazette No. 30013 dated 29 June 2007. Although welcomed by the majority of municipalities, the exemptions granted did not cover all the standards and some of the exemptions granted were "easier" to comply to than some of the exemptions not included in the Gazette!.

Lack of communication between the National Treasury, the Accountant-General and the Auditor-General also materialised and gave reason for a vast number of uncertain and unresolved issues.

Communication was forthcoming from the National Treasury and the Accountant-General up to as late as 17 August 2007. This resulted in putting tremendous strain on management to finalise the financial statements on time as stipulated in the Municipal Finance Management Act (MFMA).

It must however be accepted that the environment wherein financial statements are to be compiled in future is, contrary to the believe that statements are stagnating, evolving continuously. International standards are introduced annually and to keep abreast and apply these international standards is not an easy task.

To therefore expect municipal financial officers to abide by all these standards within the very short time expected by the Auditor-General and National Treasury will be a constant challenge.

In my report for 2005/06 the following statement was made:

"Prior to the start of the 2005/6 financial year it could be stated that the South African economy was the strongest in years with low inflation rates, high consumer confidence, a strong currency, low interest rates, a decrease in unemployment, reasonable taxation on individuals as well as businesses, etc. All these factors contributed to an environment in which the financial environment could prosper. In times like these, it was important to invest in infrastructure and to speed up the process of catching up with backlogs as far as municipal services infrastructure was concerned.

George is different to most other local authorities as far as the backlog is concerned and the main challenge of the municipality is not merely addressing backlogs, but to maintain and extent current infrastructure to such an extent that the demand of the above normal development in the municipal area is addressed.

This placed an enormous strain on available internal funds and it was therefore unavoidable to utilise external funding sources to meet the demand. The municipality fully realises the additional burden of capital charges and is constantly involved in a balancing exercise between tariff increases, growth income projections and other financing alternatives. The main concern being the affordability of municipal services for the consumer."

Considering this statement in 2006/7 not much has changed!

The changes that did however occur placed even more pressure on the limited funds. Interest rates were under constant pressure and actually increased during the financial year and did not only affect the cost at which the municipality obtained capital funds on the capital market but also had an influence on the affordability of municipal services for the consumer as the consumers' money in his/her pocket also decreased.

The demand to extend current infrastructure in order to ensure that the above normal development in the municipal area is addressed remains a constant challenge for the municipality and the efforts can be seen in what is really visually materializing in the city as well as the excellent financial results that were achieved.

Therefore the involvement of all role-players remains essential to the extension of the successes achieved and as stipulated in the MFMA, the budget for 2006/07 was discussed widely with the community, community structures, non-governmental organs, the district council and political leaders. This enabled the Council to set the strategic and political direction via the Integrated Development Plan and the budget.

It must also be admitted that there are still vast areas where planning, strategising, participation, etc. can be improved to ensure that the going concern status of the municipality can even be improved on. What a challenge for all role-players involved!

The results regarding revenue are still being challenged by the ability of a large portion of the consumers to pay for municipal services. Unemployment remains an alarming reality. The payment rate measured against levies per month is in excess of 96% and compares favourably with other performing municipalities. Innovative changes in the indigent policy of the municipality and increased efforts to encourage indigent consumers to be registered as such will further assist in achieving higher targets.

Categorically it can be stated that George Municipality is still an excellent going concern and it will remain as such for the foreseeable future. The individual performances will be discussed in the next portions of the report.

NOTE: ALL APPENDIXES AND NOTES REFERRED TO ARE APPENDIXES AND NOTES AS REFLECTED IN THE FINANCIAL STATEMENTS.

2. REVIEW OF OPERATING RESULTS

The overall operating results for the year ending 30 June 2007 as well as the comparison with the budgeted figures and the actual results of 2006 are reflected in the following table:

Description	Budget 2007 R000	Adjusted Budget 2007 R000	Actual 2007 R000	Variance Actual as % of Adjusted Budget %	Actual 2006 R000
INCOME					
Operating income	509 649	529 832	600 718	13,4	521 556
EXPENDITURE					
Operating expenditure	509 458	529 656	509 511	-3,8	433 407
Closing surplus	191	176	91 207		88 149

(Refer Appendix D1)

Details of the operating results per department and classification of income and expenditure is included in Appendices D and E in the actual annual financial statements.

The improved surplus is mainly the effect of higher-than-expected income, due to the fact that all grant funding for capital expenditure have to be reflected in the operating results, as well as lower-than-expected spending.

The grant funding for capital expenditure was not budgeted as such and therefore mainly resulted in the extreme surplus.

The various contributors will be highlighted further in the report in section 4.

3. OPERATING EXPENDITURE 2006/2007

The following table reflects a breakdown of the expenditure per grouping for 2006/07 against the budget for that year as well as the actual figures of the previous year for comparison purposes:

EXPENDITURE	Budget 2007 R000	Adjusted Budget 2007 R000	Actual 2007 R000	Variance Actual / Adjusted Budget %	Actual 2006 R000
Remuneration	153 078	150 684	142 638	-5.34	114 107
General expenses	351 005	372 384	371 464	-0.25	325 162
Repairs & maintenance	50 594	57 649	55 062	-4.49	50 394
Capital charges	22 088	21 881	14 398	-34.20	8 903
Contributions to capital	1 518	2 707	2 258	-16.59	3 242
Contributions to reserves	15 203	1 053	0	-100.00	1 020
Less: Amounts charged out	-84 029	-76 702	-76 309	-0.51	-69 421
Net expenditure	**509 457**	**529 656**	**509 511**	**-3.80**	**433 407**

(Refer Appendix D1)

3.1 REMUNERATION vs. OPERATING EXPENDITURE

Staff expenditure reflected as a percentage of the total net expenditure shows an increase from 26,3% in 2005/2006 to 27,9% in 2006/2007. This comparison is within the acceptable norm in local government of 35%.

The under-spending of R8,05 million on remuneration compared to the adjusted budget can mainly be attributed to savings realised from vacancies.

3.2 GENERAL EXPENDITURE

The main expenditure types which influenced the difference between budgeted and actual results are numerous as this section comprises of a vast variety of expenditure items. There are items where savings were achieved and items where over-expenditure occurred.

Proper budget control and virement between expenditure items, in accordance with the approved policy, resulted in a variance of only 0,25% between the adjusted budget and actual results and 5,83% between the original budget and actual results.

The 5,83% represents a variance of R20,5 million.

3.3 GENERAL EXPENDITURE: BULK PURCHASES

The variance between the estimated electricity purchases of R78,5 million for 2006/07 and the actual of R80,8 million was 2,9% or R2,3 million and can be attribute to growth in consumption of electricity.

3.4 REPAIRS AND MAINTENANCE

This category resulted in a total saving of 4,49% between the adjusted budget and actual results and an over-expenditure of 8,83% between the original budget and actual results.

The main contributor to the over-expenditure between the original budget and the actual results can be attributed to additional repair and maintenance required due to the flood damages.

The fact that only 10,8% of total expenditure is allocated to this category will acquire further attention especially when the annual increase in plant, property and equipment is considered.

3.5 DEPRECIATION

Depreciation as an operational expenditure was implemented during the financial year 2004/2005 and mainly replaced capital charges (internal interest and redemption). Increased contributions from the capital replacement reserve (CRR) and grants and donations to finance capital expenditure in the place of external loans are the main reason that there was a variance of 25% between the original budget and the actual results.

3.6 CAPITAL CHARGES

The net result of capital charges reflected a saving of R7,5 million and can be attributed to the delayed taking up of external loans as well as the utilization of internal funding from the internal CRR funds.

The transfer of surplus unallocated funds to the CRR resulted in only R93,1 million external loans taken up in 2006/7 and not the R128 million as anticipated in the original budget.

3.7 CONTRIBUTIONS

Anticipated budgeted contributions to be made to funds and reserves had to, in accordance with the financial standards, be treated different than originally budgeted.

The contributions made to funds and reserves were allocated from the heading “Appropriations”.

The amounts contributed to the funds and reserves represents the actual capital contributions made by developers during the financial year as well as additional contributions Council approved to be transferred from unallocated cash reserves from time to time.

During the financial year contributions in the amount of R27,4 million were received by the municipality (R15,2 million was budgeted), reflected as income received and appropriated to the relevant funds and reserves.

Council approved that a further amount of R39 million be appropriated from unallocated cash surpluses towards the CRR funds and reserves.

These appropriations are reflected in the surplus attained in 2006/7 of R91,2 million and when excluded from the surplus reduce the actual surplus to R24,7 million.

The net surplus will be outlined later in the report.

3.8 LESS: CHARGE OUT

The decrease in overall expenditure in service delivering departments resulted in the decrease of amounts charged out for services rendered by these departments.

There will be amendments made to the basis used to determine the actual charge out as additional cost centers were added during the financial year that affected the charge out amounts.

4. OPERATING INCOME

Income per income category is as follows:

INCOME	Adjusted Budget 2007 R000	Actual 2007 R000	Variance Actual / Adjusted Budget %	Actual 2006 R000
Assessment rates	105 419	106 885	1.39	96 448
Electricity	164 323	174 314	6.08	160 777
Water	55 578	78 474	41.20	64 887
Sewerage	42 269	47 187	11.64	40 459
Cleansing	26 269	28 020	6.67	25 197
Interest earned	24 283	26 622	9.63	22 550
Operating grants	63 423	57 111	63.92	39 478
Capital grants		46 855		
Other income categories	48 269	35 252	-26.97	54 298
Total income	**529 833**	**600 719**	**13.38**	**504 094**

(Refer Appendixes D5 and E1)

The total income includes an amount of R46,9 million as capital grants that was not budgeted for but according to the new accounting standards had to be included as income. Excluding this amount the percentage increase was 4,54% between the budgeted and actual results.

This fact will influence all the various income categories as such.

The following are reasons for some of the variances:

4.1 ASSESSMENT RATES

The increase of 1,39% between the adjusted budget and actual results is a clear indication that all the anticipated rates were levied.

Actual assessment rates increased with R10,4 million, or 10,8% from 2005/6 to 2006/7 indicating a sound growth in the development and sale of property in the city.

4.2 ELECTRICITY SERVICES

The increase of 6,08% between the adjusted budget and actual results can mainly be attributed to the capital grants received.

Total revenue for this service increased with R13,5 million, or 8,4%, from 2005/6 to 2006/7 also indicating a sound growth in the sale of electricity due to growth and subsequent increased demand.

4.3 WATER SERVICES

The capital grants to the water section amounted to R14,3 million and capital contributions increased to R8,2 million. Taking that into consideration the variance was 8,45% and can also be attributed to growth in sales, improved metering and lower distribution losses.

4.3 SEWERAGE SERVICES

The variance can be attributed to increased usage, growth and capital grants.

4.4 CLEANSING

The variance is mainly due to capital contributions received in the amount of R1,4 million not budgeted for.

The total revenue for this service increased with R2,8 million, or 11,3%, from 2005/6 to 2006/7.

4.5 INTEREST EARNED

Interest earned was underprovided. The rational is to where possible allocate interest income rather to strengthen the statutory funds and capital replacement reserves than to utilise interest earned to finance operational expenditure.

Interest earned increased with R4,7 million, or 18%, from 2005/6 to 2006/7 indicating sound investments procedures and increase in available funds.

4.6 OPERATING AND CAPITAL GRANTS

Operating grants increased with R17,6 million, or 44% due to an increase in equitable share allocations and housing funds received.

Capital grants received increased during 2005/6 was not allocated correctly and amounted to R18,5 million. This amount increased to R46,8 million during 2006/7.

4.6 OTHER INCOME CATEGORIES

Due to changes in the allocation of income allocated to this category due to the implementation of the new financial standards of GAAP and GAMAP, a comparison will not reflect the true position.

5. MUNICIPAL EXTERNAL DEBT

At the end of the financial year the amounts borrowed and outstanding were as follows:

TYPE OF DEBT	BALANCE AT 30/06/2006 R000	RECEIVED R000	REDEEMED R000	TRANSFERRED R000	BALANCE AT 30/06/2007 R000
Stock	2 217		2 217		0
Annuity loans	139 743	93 100	5 528		227 315
Lease liability	39	636	185	3	493
Other loans	8 997		276		8 721
Total loans	**150 997**	**93 736**	**8 206**	**2 658**	**236 529**

Loans to finance the 2006/2007 Capital expenditure in the amount of R93,1 million were raised during the financial year under review.

The full details of the individual loans are reflected in Appendix A in the financial statements.

6. ACCUMULATED STATUTORY FUNDS AND PROVISIONS

Details of the distributable reserves and provisions are stated in Notes 1, 2, 6, 7 and 8 of the financial statements and are, inter alia, reflecting the following:

DESCRIPTION	BALANCE AT 30/06/2005 R000	BALANCE AT 30/06/2006 R000	BALANCE AT 30/06/2007 R000
Housing development fund	60 831	64 675	61 589
Reserves	240 661	254 420	320 474
Provisions	0	1 563	586
Creditors	51 430	50 219	81 457
Unspent grants & receipts	17 015	21 220	30 017
Total	**369 937**	**392 097**	**494 123**

In terms of legislation, surpluses in distributable reserves are to be invested until required.

The details of the investments are provided in Note 11.

7. DEBTORS

Details regarding the debtors are provided in Note 12 (Long-term debtors) and Note 14 (Other debtors).
The decrease showed in long-term debtors mainly lies with housing loans, vehicle loans and sale of property as well as the provision for bad debts that had to be implemented for the first time to comply to the new financial accounting standards.

			2007	2006
LONG-TERM DEBTORS	**Gross Balances**	**Provision For Bad Debt**	**Net Balance**	
Housing loans	13,219,030	8,068,599	5,150,431	14,444,574
Vehicle loans	335,898	0	335,898	1,694,090
Loans to Organisations (Section 185A /Ord. 20/1974)	822,377	0	822,377	939,388
Sale of property	1,315,560	0	1,315,560	2,887,916
Computer loans	41,154	0	41,154	84,033
Zader Loan	192,806	0	192,806	569,855
Victoria Bay - Paving/Sewerage Loans	113,204	0	113,204	111,963
Actaris meter costs	4,378,720	4,378,720	0	5,804,685
	20,418,749	12,447,319	7,971,430	26,536,504
Less current portion			-5,658,625	-2,637,934
Total Long-term Debtors			**2,312,805**	**23,898,570**

Consumer debtors (Refer to Note 14)

The status of consumer debtors is reflected in full in note 14 in the financial statements.

CONSUMER DEBTORS	DEBTORS	Provision for Bad Debts	Net Balance
As at 30 June 2007			
Service Debtors:	64,122,595	39,545,735	24,576,860
Rates	12,305,325	7,588,949	4,716,376
Electricity	13,480,452	8,313,675	5,166,777
Water	16,557,938	10,211,624	6,346,314
Sewerage	11,519,311	7,104,198	4,415,113
Cleansing	10,259,569	6,327,289	3,932,280
Other Debtors:	6,447,103	3,976,062	2,471,041
General			
Computerised			
Debtors	195,342	0	195,342
Loans	1,982,283	1,343,908	638,375
Computer Loans	329	0	329
Housing Rentals	629,181	387,667	241,514
Legal fees	3,639,968	2,244,487	1,395,481
	6,299,062	3,891,971	2,407,091
Less: Masakhane Debtors	-10,730	0	-10,730
Plus: VAT	6,309,792	3,891,971	2,417,821
Total Debtors	76,868,760	47,413,768	29,454,992
Less: Payments in advance	-2,891,001		
Total Computerised Debtors	**73,977,759**		
As at 30 June 2006			
Service Debtors	70,531,278	54,563,347	15,967,931
Rates	15,917,877	11,682,715	
Electricity	10,635,061	3,956,377	
Water	18,639,367	15,180,966	
Sewerage	13,516,884	12,370,822	
Cleansing	11,822,089	11,372,467	
Housing Rentals	771,813	663,774	108,039
Other Debtors:	18,331,232	8,381,609	9,949,623
Loans	2,338,799		
Other Debtors	8,963,112		
VAT	7,029,321		
Total Debtors	89,634,323	63,608,730	26,025,593
Less: Payments in advance	-2,655,315		
Total Computerised Debtors	**86,979,008**		

During the final preparation of the financial statements, the amount provided as a provision to working capital reserve had to be amended in order to comply with the audit observation issued in 2004/05 by the external auditors that read as follows:

"According to the National Treasury Guidelines for the implementation of accounting standards, the following is noted: "On the implementation of the standards, an accurate provision for bad debts must be created. This provision must be realistically based on past payment trends, debtors' past payment trends and the likelihood that the total balance outstanding at the implementation date will be paid. Where it is less probable that consumers will settle their outstanding accounts, a provision should be made. In the past the municipality has had the policy in place to provide for all debtors older than 90 days. This has been based on the fact that the municipality has a strict policy of payment within 30 days, hence making the probability of payment from debtors older than 90 days less than likely. In the course of testing the provision for bad debts, it has come to our attention that the entire debtors book of service debtors and housing rentals have been provided. We propose that only debtors older than 90 days be provided for."

The risk identified by the external auditors was that debts which are recoverable are erroneously provided for, thereby overstating the provision for bad debts and understating the surplus in the statement of performance. In order to comply with this requirement, an adjustment was passed in order to provide only for debtors older than 90 days.

The situation regarding consumer debtors for the past four financial years is as follows:

DESCRIPTION	**30/06/2004**	**30/06/2005**	**30/06/2006**	**30/06/2007**
Service Debtors	109 560 397	78 551 382	70 531 278	64 122 595
Housing Rentals	2 367 205	1 184 073	771 813	6 447 103
Other debtors		13 585 867	11 301 910	0
VAT	8 734 145	8 150 791	7 029 321	6 299 062
Payment in advance			-2 655 315	-2 891 001
Gross debtors	**120 661 807**	**101 472 113**	**86 979 008**	**73 977 759**
Less: Provision for Bad Debts	(73 673 145)	(77 921 632)	(63 608 730)	(47 413 768)
Net debtors	**46 988 662**	**23 550 481**	**26 025 593**	**29 454 992**

Comparing the four years outstanding debtors proved difficult due to the new financial formats and amounts written off during the periods. In general the situation regarding outstanding debtors is gradually improving which indicates that the strict credit control measures introduced by the municipality are slowly turning the tide!

The ageing of debtors for the previous two years:

	30 June 2006	30 June 2007
Current (0 - 30 days)	8 880 077	22 733 338
31 – 60 days	1 704 462	1 959 647
61 – 90 days	1 796 634	1 750 485
91 – 120 days	1 497 710	1 516 983
121 – 365 days	14 166 625	11 626 244
+365 days	46 939 704	34 391 063
	86 979 008	76 879 491

8. CAPITAL EXPENDITURE AND FINANCING

The Council adhered to guidelines that National Treasury sets for capital expenditure. The Capital Budget was IDP-driven and approved projects were done in terms of the IDP prescriptions.

The expenditure during the year in respect of fixed assets amounted to R203,6 million. It is 40,9% more than the previous financial year.

The variance between the actual result and the adjusted budget is within acceptable norms. When the actual result is compared with the original budget, the variance is -8,47%. This variance is much better than the previous year (15%) but still not acceptable and improved forward planning and project planning by all directorates will have to improve this situation.

The following table shows the distribution of the additions to fixed assets according to the various directorates:

DIRECTORATE	ORIGINAL BUDGET 2007 R000	ADJUSTED BUDGET 2007 R000	ACTUAL RESULT 2007 R000	VARIANCE ADJUSTED BUDGET / ACTUAL %
Management& administration	18 672	24 770	21 778	-12.08
Planning & development	29 526	21 358	14 937	-30.06
Health services	1 000	1 000	1 000	0.00
Civil & technical	154 763	145 540	144 190	-0.93
Electro technical	25 650	29 780	21 711	-27.10
Grand total	**229 611**	**222 448**	**203 616**	**-8.47**

The above-mentioned fixed assets were financed from the following sources:

TYPE OF FINANCE	ORIGINAL BUDGET 2007 R000	ADJUSTED BUDGET 2007 R000	ACTUAL RESULT 2007 R000
External financing fund	128 075	93 100	94 261
Capital replacement reserve	44 884	71 931	60 984
Grants	56 652	57 417	48 371
Grand total	229 611	222 448	203 616

Further information regarding capital expenditure is outlined in Appendix C(1) and E(2) in the financial statements.

			R000	%
◆ External long-term loans			94 261	46.29
◆ Conditional Grants	-	Provincial Government	18 226	8.95
◆ Conditional Grants	-	National Government	24 056	11.81
◆ Conditional Grants	-	Eden District Municipality	4 572	2.25
		Other Institutions	1 516	0.74
◆ Capital Replacement Reserve:				0.00
▪ General			18 125	8.90
▪ Cleansing Infrastructure				0.00
▪ Electricity Infrastructure			13 688	6.72
▪ Sewerage Infrastructure			7 047	3.46
▪ Water Infrastructure			10 987	5.40
▪ Sale of property			11 038	5.42
▪ Roads and stormwater			96	0.05
TOTAL			203 612	100.00

Further details regarding variances on individual projects will be reflected in the specific directorates' reports.

9. BANK, CASH AND CASH EQUIVALENTS

Bank, cash and cash equivalents at hand on 30 June 2007 amounted to R301,7 million compared to R248,6 million for 2005/06 - an increase of R53,1 million or 21%. The main reasons for this increase is due to the raising of external loans (Previous year's capital financing), unutilized capital receipts and improvement in the Councils financial performance.

The detailed bank, cash and cash equivalents are outlined in note 16 of the financial statements.

10. LIQUIDITY SITUATION

The bank, cash and cash equivalents were allocated as outlined below to the various statutory funds, reserves, creditors deposits, operational cash, etc.

- CAPITAL REPLACEMENT RESERVE R 91,5 M
- DEPOSITS R 8,7 M
- EFF ACCOUNTS R 4,8 M
- HOUSING FUND R 44,1 M
- UNSPENT GRANTS R 30,0 M
- CREDITORS R 78,8 M
- PROVISIONS R 0,6 M
- WORKING CAPITAL R 25,4 M
- OPERATIONAL CASH R 17,8 M

- TOTAL LIQUIDITY R301,7 M

Council approved, based on these results, that an amount of R16 million of the operational cash be utilised as follows:

- CAPITAL REPLACEMENT RESERVE R 16 M

This will lighten the burden of external loan funding for 2007/8 and finance the October 2007 adjustment budget.

11. ANALYSIS / PERFORMANCE RATIOS

Legislation requires municipalities to measure and report on their performance when budgets are prepared as well as during and at the end of the financial year. The purpose of the latter requirement is mainly to indicate the extent to which the targets or norms have been met and the performance attained.

The same viability analysis as was used in the previous financial year was used and the results are as outlined:

Name of Ratio	Target %	Score %
Coverage of STPLTC	5	5
Short-term debt	5	5
Debtors movement	20	20
Creditors Test	5	5
Capital Cost Burden	5	5
Staff Cost	5	5
LT Debt as % of Total Revenue	20	20
Cash Funded	5	5
Salary & Bulk Purchases Coverage	5	5
Net Current Assets	20	20
Long-term assets	5	3
TOTAL	**100 %**	**98 %**

The result achieved in 2005/06 WAS 100%.

Brief Explanation of analysis: (2005/06 in brackets)

1. **Cash coverage of the short-term portion of long-term liabilities (STPLTL):**

 The result of 2 768% (2 267%) clearly indicates that the municipality has more than sufficient cash available to cover the short-term liability.

2. **Short-term debt as a % of total revenue:**

 The result of 15,37% (14,03%) indicates that 15,37% of the municipality's revenue is required to cover short-term debt. This ratio is currently close to the standard of 16,6% of revenue.

3. **Debtors movement:**

 The result of -2% (+1%) indicates that debtors had an overall decrease due to write-offs and improved collection rate and that provision for working capital or bad debts was sufficient.

4. **Creditors test: (turnover rate)**

 This result indicates that the municipality requires 11 days (13 days) to pay trade creditors compared to the norm of 60 days.

5. **Capital cost burden:**

 The result of 7,59% (6,62%) indicates that 7,59% of total revenue was required to depreciate assets and service loan charges. This ratio will definitely increase drastically with the increased utilisation of external loan funding and will have to be managed not to exceed the 20 % norm.

6. **Staff cost as % of gross expenditure:**

 This result of 25,51% (24,93%) is much lower than the 35 % norm, but will be negatively affected with the population of the approved macro and micro staff structures in 2007/8.

7. **Long-term debt as percentage of total revenue:**

 The absolute limit of this ratio is 40 % of total revenue. Some financial institutions will not consider further loans if this percentage exceeds 40 %.

 During 2005/6 the long-term liabilities of the municipality increased with R86,3 million and the 2006/7 budget is providing additional R103 million external loan funding.

 The ratio of 37,56% (27,64%) for 2006/7 will therefore increase substantially in 2007/8. Management of this ratio will remain essential.

8. **Cash funded:**

 This ratio indicates that the operating budgets for 2005/6 and 2006/7 were more than 100 % cash funded.

9. **Salary and bulk purchases coverage:**

This ratio of 16,99:1 (16,95:1) indicates that the total amount of cash available is sufficient to cover the monthly employee related costs and monthly bulk purchases (electricity) 16,99 times!!

10. **Net current assets:**

This ratio indicates that net current assets are financed more than 2,5 times (6 times) from the accumulated surplus and deposits.

11. **Long-term assets:**

This ratio indicates that the current funding sources of the municipality are sufficient to cover long-term assets.

In summary: it is indicated through this analysis that the overall financial status of the municipality, especially the cash availability is excellent! As discussed there are however certain ratio's that will require constant evaluation.

12. AUDIT COMMITTEE

An audit committee was established and an Audit Committee Charter is in place. The Committee serves as a link between the Council, Management, the public, Internal and External Auditors. Meetings were held and during these meetings, the reports were evaluated to address internal control measures and evaluate the implementation of corrective measures.

13. ASSET MANAGEMENT

The report by the Auditor-General qualified the financial statements due to certain aspects that had to be addressed in the 2007/08 financial year.

These aspects will have to be addressed as far as possible in the 2007/08 financial year and reports to that effect are in preparation for consideration by Council. As mentioned in my introduction, the phasing-in of most of the issues mentioned in the Auditor-General's report was not considered. The comprehensiveness of the asset register will have to be addressed by appointing external service providers to assist the various directorates to break down the bulk entries in the asset register into more detailed individual assets.

The aspects referring residual value and capitalization threshold of assets will also be addressed.

14. GOING CONCERN

The financial position of this municipality is currently, as outlined in the financial statements and audit report, at such a positive level that it can categorically be stated that for the foreseeable future the municipality can be regarded as a going concern.

There are factors that will require constant monitoring and evaluation to enable this position to be maintained for the long-term sustainability of the concern.

15. EXPRESSION OF APPRECIATION

I am grateful to the Executive Mayor, fulltime Councillors, the Municipal Manager, Councillors and Directors for the support they have rendered to this directorate during the 2006/07 financial year. A special word of appreciation is extended to the team from the directorate financial services for the concerted efforts and sacrifices during the financial year enabling financial statements of high quality to be submitted.

L H FOURIE
CHIEF FINANCIAL OFFICER: GEORGE MUNICIPALITY

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DIENSLEWERING & PRESTASIE HOOGTEPUNTE
SERVICE DELIVERY & PERFORMANCE HIGHLIGHTS















2.1 DIRECTORATE: /DIREKTORAAT MANAGEMENT AND ADMINISTRATION BESTUUR EN ADMINISTRASIE

1. INTRODUCTION

The Directorate: Management and Administration renders administrative support to other directorates and manages the offices of Council. The Directorate consists of three sub-directorates namely Corporate Services, Community Services and Client Services.

The Sub-Directorate Corporate Services includes, *inter alia*, the following services: Legal Services, Administrative and Management Services such as agendas and minutes of Council and Committee Meetings, administration of municipal buildings and halls, switchboard, commonage, sidings, public receptions, donations, homage, records, typing, general correspondence, safe-keeping of documents and policy and research.

The Sub-Directorate: Community Services includes services such as traffic law enforcement, vehicle registration, driver's licences, pound, libraries, fire fighting and disaster management, sport administration and security/safety services.

The Sub-Directorate: Client Services consists of tourism, marketing, client services and special events. The sub-directorate's main focus, however, is to inform the public about the different municipal services and to advise Council about community needs.

The Directorate has a personnel compliment of approximately 250 and is responsible for the administration of a total operational budget of ±R72 million and a capital budget of R 15,372,000.

Performance indicators for the year under review, are as follows:

Service Delivery Unit : Policy IDP

IDP Key Performance Areas and Objectives covered by service(s)
Governance

Overview of services provided and narrative on performance for the year

Revision of IDP

Public participation sessions held in October and April.

Performance Indicators	2005/2006 Actual	2006/ 2007 Actual
Number of public participation meetings held	24	20
% of scheduled meetings realised	95%	100%

Service Delivery Units: Customer Services

IDP Key Performance Areas and Objectives covered by service(s)
Governance: Communication; Informing the general public.

Overview of services provided and narrative on performance for the year

Informing the public about all municipal services and enhancing public participation.

Concentrate on the improvement of service delivery and problem solving.

A total of 720 visits by the public to the three area managers were recorded during the 2005/2006 year. During 2006/2007 a huge increase in these visits were recorded, bringing the total number to approximately 4000.

Service Delivery Units: Legal

IDP Key Performance Areas and Objectives covered by service(s)
Governance: Provision for legal matters pertaining to local government
by ensuring that the Municipality exercises its powers within legislative framework.

Overview of services provided and narrative on performance for the year

– Legal advice to Directorates

– Arranging Public participation for by-laws

- Appointment of panel of attorneys and liaising with attorneys

Performance Indicators	2005/2006 Actual	2006/2007 Actual
Legal advise to directorates	36	22
Public participations	8	5

Service Delivery Units: Library: Caledon Street, Branch Libraries

IDP Key Performance Areas and Objectives covered by service(s)
Education, Health and social services.

Overview of services provided and narrative on performance for the year

To provide an effective and efficient service to assist the community's informational, cultural, educational and recreational needs.

Major Capital Projects Completed in 2004/05 (if applicable)

Computerization of Libraries – R60 000.00

Performance Indicators	2005/2006 Actual	2006/2007 Actual
Number of items borrowed from libraries	758319	694987
Number of members of libraries	34800	37156
% membership increase(Youth / adults)	- 6,2%	+ 0,12%
Aantal uitreikings per personeellid	32970	38129
Number of events held by libraries	55	60

Service Delivery Units: Pacaltsdorp, Thembalethu, Blanco, Conville and Touwsranten, Maintenance, Commonage & Sidings and Civic Centre.

IDP Key Performance Areas and Objectives covered by service(s)
Recreation, Sport and Tourism / Recreation Facilities

Overview of services provided and narrative on performance for the year

To provide the community with recreational halls and to equip and maintain these halls.

Major Capital Projects Completed in 2006/2007

Completion of new administrative Building at Civic Centre

Upgrading of Touwsranten and conville Community Hall

Paving at Blanco Hall

Performance Indicators	2005/2006 Actual	2006/2007 Actual
% Utilization of community halls - private	30,61	32,38
% Utilization of community halls - official	69,38	67,62
Other: Income	R 306 534,00	R 337 419,00

Service Delivery Units: Fire Brigade

IDP Key Performance Areas and Objectives covered by service(s)
Safety and Security

Overview of services provided and narrative on performance for the year

The main function is to prevent fires and to protect life and property should a fire occur.

To manage disasters.



Major Capital Projects Completed in 2006/07 (if applicable)

Upgrading of water tanker

Purchase of fire fighting vehicle

Performance Indicators	2005/2006 Actual	2006/2007 Actual
Emergency call outs	826	672
Average Response Time	7,5	7
Rural Response Time	23	19
Emergencies leading to life loss (fires)	0	2
Emergencies leading to life loss (drownings)	0	4
Number of fire prevention inspections conducted	670	840

Service Delivery Units: Sport and Recreation

IDP Key Performance Areas and Objectives covered by service(s)
Provision of Recreation and Sport facilities/Sport tourism/improved economic environment

Overview of services provided and narrative on performance for the year

Upgrading of Sport facilities

Maintenance of Sport fields/terrains

Provision of Security services

Host City for international Sevens Tournament

Major Capital Projects Completed in 2005 (if applicable)

Complete Installation of floodlights – Outeniqua Park – R 2,3 million

Swimmingpool – R 5,8 million

Building of Capital work to a total amount of R 1,5 million was spent on the following Sport Fields:

- Blanco
- Touwsranten
- Pacaltsdorp
- Rosemoor
- Thembalethu



Performance Indicators	2005/2006 Actual	2006/2007 Actual
% utilization of sport facilities	70%	70%

Service Delivery Units: Council General, Councillors, Office of the Executive Mayor

IDP Key Performance Areas and Objectives covered by service(s) Governance

Major Capital Projects Completed in 2006/07 (if applicable)

Completion of the council's reception area.

Performance Indicators	2005/2006 Actual	2006/2007 Actual
% of skeduled meetings realised	97%	99%
Number of agenda's distributed Number of agenda's distributed on time	178	139
Number of minutes of meetings distributed Number of minutes of meetings distributed on time	178	139
Computerizing of archive system % of items scaned	20%	25%

Service Delivery Units: Informal Trading Control, Safety / Security, Traffic: Law enforcement, Traffic: Vehicle Registration, Traffic: Drivers Licence, Traffic: Vehicle Testing Centre

IDP Key Performance Areas and Objectives covered by service(s)

Governance, Education and Safety and Security

Ensure safe and secure environment for all people living or visiting George with emphasis on high level of community involvement. Also to ensure the safe and free flow of traffic in the Greater George. Although this is traditionally the primary function of the Traffic Section, we endeavour to be a multipurpose agency, serving the traffic needs of the community.

Overview of services provided and narrative on performance for the year

Law Enforcement: to ensure that all transgressors are prosecuted in accordance with the relevant legislation; also includes educational programs.

Vehicle Registration: an agent for Provincial Administration by issuing car licences and registration/deregistration.

Driver's Licences – testing of applicants to obtain a driver's licence as an agent for the Provincial Administration.

Vehicle testing centre – testing of vehicles in accordance with code 047 SABS for roadworthiness.

Pound for large animals – impounding of stray animals, especially those causing danger to road users.

Vehicle pound – impounding of unroadworthy and confiscated vehicles.

Major Capital Projects Completed in 2006/07

Animal Pound, Natis computer and printer, motorcycle testing equipment, alterations to motor registration offices, purchase of new patrol vehicles and motorcycles, new video cameras and apparatus.

Performance Indicators	2005/2006 Actual	2006/2007 Actual
Complaints attended by traffic officers		
Number	547	775
Man hours	658	776
Special Functions attended by traffic officers		
Number	407	796
Man hours	909	881

Performance Indicators	2005/2006 Actual	2006/2007 Actual
Motor vehicle licence transactions	83925	68468
Drivers Licences		
Applicants for renewal of car type licences	7500	8680
Drivers licenses issued	1143	1241
Learners licenses issued	2466	2761
Number of applicants tested for driver and learner licences	7273	5083
Traffic Offences		
Moving violations (red robot; stops; speeding; barrier lines)	53495	39046
Parking offences	218	879
Licences (driver/motor vehicle)	2056	2999
Deflects (tyres, hooters, etc)	1469	1494
Overloading	179	197
Safety Belts	916	1363
Cellular phone violations	645	1282
Sundries	471	733
Drunken Driving	144	241
Number of road traffic accidents (deaths/major/minor)	Death 3 Major 149 Minor 797	Death 23 Major 102 Minor 797
Number of taxi violations	3885	4728
Number of road safety educational events held	1500	8
Number of prosecutions of owners of stray animals	8	189
Number of animals impounded	0	46
Number of by-law offences Number of arrests	241	615

Service Delivery Units: Administration, Switchboard

IDP Key Performance Areas and Objectives covered by service(s)
Governance

Overview of services provided and narrative on performance for the year

Telephone usage costs were R 585 980,00 of which R 232 602,00 was reclaimed for private calls.

Performance Indicators	2005/2006 Actual	2006/2007 Actual
Number of calls received (switchboard)	469 167	296 962
Other: Local: Outgoing calls	181 113	216 429
National	17 591	97 525
Cell	57 445	61 244
Share calls	881	3 067

Service Delivery Units: Advertising/Tourism

IDP Key Performance Areas and Objectives covered by service(s)
Governance, Recreation, Sport and Tourism

Performance Indicators **Included in 2003/04 Annual Report**	**2005/2006 Actual**	**2006/2007 Actual**
Number of tourist marketing campaigns	12	11
Number of partnerships increase / decrease	5	5
% increase of membership of Tourism Bureau	17%	1%
Other: Festivals supported/organised	7	7
Shows/exhibitions attended	8	9
Development projects	2	2
Number of members	394	397

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2.2 DIRECTORATE: /DIREKTORAAT CIVIL & TECHNICAL SERVICES SIVIEL & TEGNIESEDIENSTE

1. **INTRODUCTION**

This Department is responsible for the provision and maintenance of streets, storm water drainage, water distribution, water purification, sewer network, sewage purification, parks and recreation and cleansing.

This Department is primarily involved in working towards the following Key Performance Area:

GOOD INFRASTRUCTURE AND SERVICES

STRATEGIC OBJECTIVES

Alien Vegetation	Removal of alien vegetation
Water and Sanitation	Water infrastructure managed and maintained to provide a level of service to all customers in accordance with National guidelines and to ensure safe drinking water for all.
	Sanitation infrastructure managed and maintained properly in order to provide adequate and efficient services to customers, at the same time ensuring that there is no negative impact on the environment.
Water Resources	Water resource management in a sustainable and environmentally acceptable manner to ensure that the water requirements are met for current and future needs.
Refuse Removal	Reliable, safe and secure refuse removal system in place and managed to provide adequate, efficient, safe and sustainable services to customers.
Cemeteries	Safe, affordable, accessable, secure and environmentally friendly cemeteries in place and maintained.

Streets, Storm Water and Pavements	Proper, cost effective maintenance of existing street, storm water and pavement infrastructure, upgrading of gravel streets to tar streets and a reliable storm water system in place and maintained.

Service Delivery Unit : Cemetries

IDP Key Performance Areas and Objectives covered by service(s).
Good Infrastructure and Service Delivery : Safe, affordable, accessible, secure and environmentally friendly cemeteries in place and maintained.

Overview of services provided and narrative on performance for the year
Selling of graveyard plots
Maintaining seven cemeteries
New cemetery in Touwsranten to be established in 2008

Performance Indicators	2005/06	2006/07
Number of burials	534	461

Service Delivery Unit : Forestry

IDP Key Performance Areas and Objectives covered by service(s)
Recreation, Sport and Tourism/Open Spaces, Green Belts and Hiking Trails:
Open spaces, green belts and hiking trails identified, developed and maintained in terms of an SDBIP in order to maintain the Garden Route character of the George Municipal Area.

Overview of services provided and narrative on performance for the year
Removal of "warbos" / jungle in accordance with legislation
Recovery of fynbos
No harvesting was done in the past year.

Service Delivery Unit : Beach Areas

IDP Key Performance Areas and Objectives covered by service(s)
Recreation, Sport and Tourism / Recreation Facilities : Recreation needs assessed and provided to meet the needs of the community and tourists at large and youth in particular.

Overview of services provided and narrative on performance for the year.
Three beaches : Herold's Bay , Victoria Bay & Wilderness.

Service Delivery Unit : Herold's Bay Camping Site

IDP Key Performance Areas and Objectives covered by service(s)
Recreation, Sport and Tourism / Recreation Facilities : Recreation needs assessed and provided to meet the needs of the community and tourists at large and youth in particular.

Overview of services provided and narrative on performance for the year
Servicing 42 caravan sites in caravan park.
Primarily used by holiday makers in December / January and Easter weekend.
Safe and secure area.

Performance Indicators	2005/06	2006/07
Number of overnight stays at Herold's Bay camp site	1984	2017

Service Delivery Unit : Parks

IDP Key Performance Areas and Objectives covered by service(s)
Recreation, Sport and Tourism
Open spaces, green belts and hiking trails identified, developed and maintained in terms of an SDBIP in order to maintain the Garden Route character of the George Municipality.

Streets, public places in the City of George and outlying areas generally clean, attractive and beautified in order to create pride of place by the local public and to attract visitors.

Overview of services provided and narrative on performance for the year
Parks are maintained 17 cycles per annum.
Open spaces are maintained 4 cycles per annum.
Trees planted in Greater George municipality .
Trees in streets are pruned regularly

Major Capital Projects Completed in 2006/07
Apparatus in all parks have been repaired.

Performance Indicators	2005/06	2006/07
Hectares of alien vegetation cleared	475	180
Hectares of grass cut / month	350	350
Number of trees planted	6 400	+- 7 000
Number of trees pruned	+- 5 500	+- 5 000

Service Delivery Unit : Sewerage : Main Pipes & Pumpstation

IDP Key Performance Areas and Objectives covered by service(s)
Good infrastructure and service delivery:
Sanitation infrastructure managed and maintained properly in order to provide adequate and efficient services to customers ensuring at the same time there is no negative impact on the environment.

Overview of services provided and narrative on performance for the year.
Provision of sewer systems

Ensuring that the functionality of the system is 100%.

Performance Indicators	2005/06	2006/07
New house connections in year	94	104
Mains cleared (M)	1120m	5540m
Sewer blockages opened	3062	3034
Manholes repaired	152	101
Pipeline breakages repaired	176	189

Service Delivery Unit : Sewerage : Water Pollution Control

IDP Key Performance Areas and Objectives covered by service(s)

Good infrastructure and service delivery:
Water Pollution Control Works managed and maintained properly in order to provide adequate and efficient service to customers, at the same time ensuring that there is no negative impact on the environment, and that effluent produced is compliant with DWAF standards.

Overview of services provided and narrative on performance for the year
Outeniqua, Herolds Bay and Kleinkrantz purification works effluent comply with the Water Act. Gwaing works did not comply due to high ammonia levels.

This problem will be rectified by the rehabilitation of this works that has commenced and is due for completion in May 2008.

Major Capital Projects Completed in 2006/07

- Commencement with the Rehabilitation of the Gwaing Water Treatment Works
- Various upgrades to buildings

Performance Indicators	2005/06	2006/07
Kl of sewerage purified	5815	5467

Service Delivery Unit : Streets and Storm Water

IDP Key Performance Areas and Objectives covered by service(s)
Good Infrastructure and service delivery:
Proper, cost effective maintenance of existing street, storm water and pavement infrastructure, upgrading of gravel streets to tar streets and a reliable storm water system in place and maintained.

Overview of services provided and narrative on performance for the year
Maintenance of streets and storm water systems.

Major Capital Projects Completed in 2006/07 (if applicable)
Paving of roads by means of labour intensive methods.

Performance Indicators	2005/06	2006/07
% of households with access to storm water service	75	75
Km of gravel streets upgraded to permanent surface	10.3km	9.5km
Km of tarred roads requiring repair to prolong their life	45km	55km
Km of tarred roads resealed	10.1km	16.8km
Jobs created (Public Works Programme)	240	330
Rebuilding of streets	0.4	1.3km

CLEANSING SERVICES

Strategic objective

Reliable, safe, secure and affordable refuse removal, street cleaning, waste disposal, night soil removal and public toilets cleaning system in place and managed to provide adequate, efficient, safe and sustainable services to customers.

Service Delivery Unit : Street Cleaning

IDP Key Performance Areas and Objectives covered by services

Cleanliness of City and outlying areas:
Streets, public places in the city of George and outlying areas generally clean, healthy, all created and beautified in order to create pride of place by the local public and to attract visitors as well as to ensure a healthy environment.

Overview of services provided and narrative on performance for the year:
Nineteen (19) full time people are employed for street cleaning in the CBD area as well as ten (10) part time street cleaners.

The residential areas and outlying areas such as Hoekwil, Touwsranten, Kleinkrantz and Wilderness are being cleaned by a total of 120 part time people (15 contractors and 105 workers).

In addition to the above a front end loader and tipper truck are utilised to remove unlawfully dumped waste from residential areas.

The street cleaning services perform well and the private contractors for the residential areas, which is also a job creation opportunity, are a big success.

In spite of all the above efforts and educational projects, clean up projects and law enforcement, unlawful dumping remains a problem in some of the residential areas and vacant grounds.

The budget for street cleaning and removal of unlawfully dumped waste is R5.1 million.

Performance Indicators	2005/06	2006/07
Number of person hours spent on cleaning streets is	316 080	316 800

Service delivery unit : Public toilets

IDP Key performance areas and objectives covered by services

Good infrastructure and service delivery:
Clean, healthy, safe and well maintained public toilets for the public and visitors.

Overview of services provided and narrative on performance for the year:
A total of 10 sets of public toilets are provided of which four (4) are provided at outlying areas such as Herolds Bay, Victoria Bay, Wilderness and Gwaing River Mouth. The facilities are well maintained and serviced by eight (8) full time employees.

The budget for public toilets is R923 000
Capital projects : Upgrading of Gwaing River Mouth Public toilets (R34 100,00).

Performance Indicators	2005/06	2006/07
Public toilets per 10 000 population	0.1	0.1
Number of person hours spent on cleaning toilets	15 000	15 000

Service delivery Unit : Refuse site and transfer station

IDP Key Performance areas and Objectives covered by services.

Good infrastructure and service delivery:
Reliable, safe and secure refuse disposal facilities in place and managed to the required health and environmental conservation standards to meet the requirements of George's residents in the most cost effective way as well as to comply with the relevant national legislation.

Overview of services provided and narrative on performance for the year.

Domestic waste and business waste are transported to Petro SA's landfill site in Mossel Bay via a refuse transfer station. The transfer station is managed by a private contractor. This includes the transport of the waste to Mossel Bay.

The contractor is compelled by agreement to recycle 8% of the total tonnage of waste going through the transfer station.

Building rubble and green waste are accommodated on a landfill site which is situated next to the transfer station. This site is fenced off with a razor wire as well as an electric fence, and the entrance is strictly controlled. There are three full time employees.

Provision is also made for the burial of dead animals (road kills and from vets) as well as for abattoir waste.

The budget for this section is R4.354 million.

Performance Indicators	2005/06	2006/07
Tonnes of refuse received annually (Refuse site and Transfer station)	60 000	61 000
Tonnes of refuse recycled (Transfer station and double bag system)	6 000	2 640

Service Delivery Unit : Refuse Removal

IDP Key performance areas and Objectives covered by services.

Good infrastructure and service delivery:
Reliable, safe, affordable and secure refuse removal system in place and managed to the required health and environmental conservation strandards to meet the requirements of George's residents in the most cost effective way and to keep up with the rapid expansion of the city and the newest technology.

Overview of services provided and narrative on performance for the year:
This section is responsible for collecting the refuse of 34 000 households and 2500 businesses as well as the cleaning of 350 street litter bins.

Seventy (70) full time employees are employed in this section. A fleet of thirteen (13) rear end loader refuse compactors trucks are used for this service.

Every household and business in George has access to a door-to-door collection refuse removal service except in some informal areas where there is no access. The rural area within the boundries of the municipal area is not included in this service although they make use of the refuse transfer station and refuse site for garden waste and builders rubble. .

Households are serviced once per week and food preparation businesses three (3) times per week. A double bag system for recycling at source from households was discontinued by the service provider, which was a private concern.

The budget for refuse collection is R16,853 million.
Capital projects : 1 x new refuse truck (R844 492,00).



Performance Indicators	2005/06	2006/07
Percentage of households taking part in recycling with double bag system	35%	Service discontinued
Tons of recycled material handled per month with double bag system	40	Service discontinued
% of total waste collected recycled	6%	11%
Tons of households refuse collected	26 000	27 000
Tons of business refuse collected	4 000	4 500
KPA % of households with access to basic level	98%	98%

Service delivery Unit : Night Soil removal

IDP Key performance areas and objectives covered by services

Good infrastructure and service delivery:
Reliable, safe and well managed night soil removal system in place. The services are managed in accordance with the requirements of George's residents in the most hygienic, cost effective and dignified manner.

Overview of services provided and narrative on performance for the year

This section currently collect buckets from 315 households. During the course of the year a total of 235 buckets in formal areas were eradicated with funds from MIG.

Ten (10) full time employees are involved in this section which operate between 22:00 and 06:00.

During the past year the outlying areas of Wilderness Heights informal area and Touwsranten informal area were included.

There are still many households in the informal areas who have not got night soil removal due to the fact that there are no access roads to reach the structures and that some are on private land. It is expected of owners to build their own toilet structure before a bucket service can be provided.

The budget for this service is R756 500 million.

Performance Indicators	2005/06	2006/07
Number of households serviced (Formal and informal)	370	315
Number of buckets eradicated	0	235

Service Delivery Unit : Water Purification

IDP Key Performance Areas and Objectives covered by service(s)
Good infrastructure and service delivery:
Water infrastructure and Purification Plants managed and maintained properly in order to provide adequate and efficient service to customers.

Overview of service provided and narrative on performance for the year.
To purify water according to SANS 241:2001
To ensure water of a good quality to the consumer.

Performance Indicators	**2005/06**	**2006/07**
Average household water purified per day (M/l)	26988	28377
% of water losses through purification	6.6%	6,29%
% of water losses through network	0.5%	5,84%
Kl of water purified	9 850 717	10 357 514
Kl of water distributed	9 796 928	10 962 090

Service Delivery Unit : Water Distribution

IDP Key Performance Areas and Objectives covered by service(s):
Good infrastructure and service delivery:
Water infrastructure managed and maintained properly in order to provide adequate and efficient services to customers.

Overview of services provided and narrative on performance for the year:
Maintain 732 km of pipeline varying in diameter from 50mm to 800mm
Maintain 25080 Water meters.

Performance Indicators	**2005/06**	**2006/07**
Length of pipeline replaced	5 750m	7 125m
Pipeline replaced (Rm)	2.1	2.5
New consumers connected:		
Formal developments	361	489
Informal developments	184	201
Maintenance:		
Burst water mains	189	227
Sluice valves	39	31
Fire hydrants	59	55
House connections	1 965	2305

Water meters replaced	1 149	1029
KPA – Percentage of households with access to basic level of water	95%	95%
Number of new water connections	400	400

Service Delivery Unit : Planning and Bulk Infrastructure : Water

IDP Key Performance Areas and Objectives covered by service(s):
Good Infrastructure and Services:
Bulk water infrastructure and water resources planned, upgraded and extended in order to ensure efficient and continued service supply.

Overview of services provided and narrative on performance for the year:
Upgrading of existing infrastructure, and the construction and installation of new services in order to meet and make provision for growing demands.

Major Capital Projects in 2006/07 (WATER)
Upgrading of Main Raw Water Pump station & Rising main commenced Kraaibosch Water Pipeline Phase II
Kaaimans Pumping Scheme commenced
Rehabilitation of the Water Treatment Works commenced
Malgas Dam Study commenced (extension of Water Resources) EIA
Water Master Plan
Planning – Blanco Pipeline
Western Pipeline
Flood Damage - Touw River Pipeline

Major Capital Projects in 2006/07 (SANITATION)
Hansmoeskraal Sewer Gravity Pipeline
Rehabilitation of Gwaing Water Treatment Works commenced
Completion of Kraaibosch Regional sewer Pump Station and rising main
Completion of Wilderness Phase III
Commencement Erf 325 external sewer Pump Station
Sewer Master Plan
Wilderness East Sewer Pipeline
Planning - Kraaibosch sewer reticulation
George Sewer Reticulation
Pacaltsdorp Sewer Pump Station and bulk pipeline upgrades
Outeniqua Water Treatment Works Upgrade & Reuse of Treated effluent
Kraaibosch – Vic Bay

Major Capital Projects Completed in 2006/07 (ROADS & STORM WATER)
Beach Road Phase II
Beach / Panther Intersection
Union / Hope Phase II
Davidson / Langenhoven Phase I





Robots and Intersections Phase **I** - Four new signalised intersections
Eight intersections upgraded
Phase **II** - Commenced

Commencement of
- Sandkraal Phase I
- Union / Hope Phase III
- Beach Road Phase III

Planning - Langenhoven Phase II

EIA's & Planning
- Southern Arterial
- Plattner Boulevard extension
- Rand Street extension
- N2 / York bridge widening

Knysna Road and Kraaibosch Roads planning and commencement with implementation and construction

Flood Damage
- Pienaar Street bridge
- Grens street bridge
- Herolds Bay Beach wall
- Speckie Gericke Street
- Whites Road
- Katriver Gabion structures
- Tamsui Stormwater system

Service Delivery Unit : Planning and Bulk Infrastructure : Public Transport

IDP Key Performance Areas and Objectives covered by service(s)
Good infrastructure and Services:
Public Transport strategy in place and operational.

Overview of services provided and narrative on performance for the year
Sandkraal Mobility strategy commenced (3 year project)
George Mobility strategy in planning phase
Eden launched NMT plan – George Municipality involved

Major Capital Projects Completed in 2006/07
Upgrading and extension to CBD taxi rank.

Service Delivery Unit : Planning - Land Development

IDP Key Performance Areas and Objectives covered by service(s)
Good Infrastructure and Services:
Water, sanitation, roads and storm water infrastructures managed and planned.

Overview of services provided and narrative on performance for the year
Process and approve private land development applications with the provision of civil services. Ensure that adequate civil services are provided by private developers in line

with standards acceptable to the George Municipality. Ensure that private developments fully finance all civil service requirements of the new development.

Municipal land developments : approve municipal low cost housing and other developments in respect of infrastructure

Major Capital Projects Completed in 2006/07
34 Residential erven - Dellville Park
44 Residential erven - Levallia Infill erven
All private developments requiring infrastructure approvals
46 Industrial erven - Pacaltsdorp Industria

Performance Indicators	**2005/06**	**2006/07**
Private land development applications and applications for purchase of municipal property etc.	660	772
Building plans approve	None	220

Service Delivery Unit : Project Management

IDP Key Performance Areas and Objectives covered by service(s)
Good Infrastructure and Services:
Installation/construction of water, sanitation, roads and stormwater infrastructures managed.

Overview of services provided and narrative on performance for the year
Approval of plans and drawings of civil services for private, capital infrastructure and Municipal Housing and Land Developments.

Quality control, general overseeing and management of capital projects to ensure that infrastructure is developed in accordance with Council's standards and requirements.

Strategic Planning

Management of all major contracts
(Municipal land developments and capital projects)
Water, Sewer, Roads, Masterplanning

Other services

MIG projects Managed - R9,5 million
Cost Estimates for services - 48 No
Speed hump – investigations - 58 No
Implemented - 12 No
TIA's assessed - 17 No

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2.3 DIRECTORATE: /DIREKTORAAT ELECTROTECHNICAL SERVICES ELEKTROTEGNIESEDIENSTE

INTRODUCTION

The Electrotechnical Services Directorate is responsible for the provision of the Electrotechnical services in George. This includes transmission, distribution, reticulation, street lighting, traffic signals, etc. The Directorate purchases electricity from Eskom at 66 000 V and distributes it at 11 000 V.

Service Delivery Unit: Electricity

IDP Key Performance Areas and Objectives.

To effectively manage and maintain an electrical infrastructure that will ensure the provision of effective and efficient services to customers by the Electro Technical Services Directorate.

CHALLENGES

a. The electrical industry is facing a severe crisis caused by the shortage of generation capacity in South Africa. Load shedding and power cuts will become a way of life for the foreseeable future. Innovative initiatives will have to be implemented to reduce the impact on the economy and lifestyle of residents. George Municipality is doing an audit on all existing geyser control units in homes and installing additional controllers to ensure maximum utilisation of this technology. Geysers are switched off during peak and critical load periods to reduce the electrical consumption. Low wattage electrical bulbs are also distributed free of charge to clients. These bulbs use approximately 15% of the energy that a conventional incandescent bulb uses. Conventional Christmas lights are being replaced by very low energy light emitting diode (LED) technology lights.
b. The challenge of addressing global warming, the reduction of greenhouse gasses and the promotion of renewable energy should also be actively supported.
c. Scarce Skills (shortage of skills in the Electrical Engineering field)
 This Directorate has been experiencing tremendous difficulty in attracting suitable qualified staff to fill key positions, due to the skills shortage, particularly in the Electrical Engineering fields. In being proactive and in addressing these problems in the long term, an Electrical Engineering Learnership programme was introduced to train Electricians. The learnership programme runs for a period of three years and covers NQF level 2 to 4. It is funded by the LGSETA. In February 2007, thirteen learners were registered by the George Municipality. Eleven of these learners are permanently employed by the George Municipality as Electrical Assistants (including five women). Two unemployed workers from the community were also registered.

Thirteen learners should qualify as Electricians by the end of 2009 and we are proud to say we are actively involved in addressing the skills shortage and developing our employees and members of the local community.

This Directorate is primarily involved in working towards the following Key Performance Areas:

STRATEGIC OBJECTIVE: Electricity infrastructure managed and maintained properly in order to provide adequate and efficient services to customers.	
OPERATIONS & PLANNING **a) Distribution**	New works: Install new electrical infrastructure to accommodate the growing demand for electricity within the City and surrounding areas. Execute selected capital projects and most new rural, commercial and industrial electrical connections through the optimal use of the municipal New Works Section. High- and medium voltage: Safe and efficient operation, control and maintenance of 66 & 11 kV networks. Issue work permits to contractors doing work on electrical networks. Twenty four hour, seven days a week fault finding and repair of high- and medium voltage networks. Plan, manage and construct smaller operational construction works. Do quality control. Low voltage: Safe and efficient operation, control and maintenance low voltage (230 and 400 volt networks). Twenty four hour, seven days a week fault finding and repair of low voltage networks. Plan, manage and construct smaller operational construction works. Do quality control. Substations: Maintenance and repair of 66 and 11 kV switchgear, substations and other electro-mechanical equipment. Clearing and plant control of medium and high voltage power line servitudes and other electrical installations. Manufacture and repair of electrical equipment in workshop. Do quality control.

b) **Engineering Services**	Manage and operate an Electrical Control Room to provide a 24 hour safe working environment for distribution staff. Design, implement, manage, and maintain medium and high voltage electrical protection systems to safely trip the electrical supply in the case of a fault to protect the community and staff from injury and equipment from damage. Design, implement manage and maintain telemetry systems to display, process and store information received from the networks throughout the distribution area and enable remote switching from the Control Room. To safely integrate protection schemes and telemetry systems to reduce power outage times and render the best possible service to the consumer. Provide essential technical support to other sections within the municipality. Design, implement, manage, and maintain a remote metering system. Read manage, maintain and generate accounts for Bulk (large) customers. Do cable location and cable fault location. Ensure compliance of NRS quality of supply requirements. Maintain the municipal energy management equipment (power factor and geyser load control). Manage networks to optimise system losses and maintain network stability.
c) Planning & Design	Do master planning and maintain electrical master plans for main electrical networks in conjunction with Eskom and Consultants. Do the planning for all electrical installations in conjunction with the IDP (Integrated Development Plan), do estimates and make proposals for capital budget items. Do the planning for all new and extensions to rural, commercial and industrial connections. Set and maintain standards and specifications for installations and equipment. Render comments and set requirements with regard to requests for new developments, subdivisions and industrial connections. Manage and maintain the electrical drawing office, CAD and GIS systems. Liaise with consulting engineers. Schedule and mange the capital budget expenditure. Do project and contract management of capital works. Do quality control.
SERVICES	
a) Street lights	Effectively maintain, upgrade and install street lights on side walks, lanes and walkways to enhance the safety and security in areas. In some instances special lights are installed.

b) Festive Lighting	The annual preparation and Installation of the colorful festive lighting in the CBD and local areas, during festive season. The xmas lights enhance the festive mood in the City of George, it also makes George attractive to the locals and international tourists.
c) Traffic lights	Maintenance and replacement of Traffic lights.
d) Customer Services & Revenue Protection	To promptly respond to complaints from clients, telephonically and in writing. <u>The installation of prepaid meters:</u> i) Convertion from informal- to formal house. ii) Credit to prepaid meters & iii) New domestic connections iv) Faulty Meter Replacement The provision of electricity service connections at cost for subsidised housing projects. The provision of up to 50 units free electricity per month to indigent families.
e) Marketing	<u>Community Programmes</u> Running educational programmes by way of road shows in the community. Videos and pamphlets are used as educational tools. These programmes are aimed at creating an awarenes for: i) energy saving methods ii) dangers and safety aspects of electricity usage iii) pre-paid meter useage iv) tampering v) fault reporting etc. This Directorate in conjunction with the former Health Directorate regularly holds educational and information sessions. Videos, presentations and pamphlets are used as educational tools.

	These programs are aimed at creating an awareness and providing information on: i) energy saving methods ii) dangers and safety aspects of electricity usage iii) pre paid meters iv) tampering v) fault reporting etc. vi) Copper theft vii) Ripple control units
ADMINISTRATION AND SUPPORT	Provide vital Administrative support services to the technical divisions in the areas of Human Resources, Training and Development, Logistics, secretarial services, customer care, front office reception desk, assist with compiling and monitoring of the annual budget, maintain statistical data and do general administrative functions that will ensure the effective and efficient operation of the Electrotechnical Services Department.

VITAL STATISTICS: BUDGET	**2005/06**	**2006/07**
Budget		
• **Income:**	R147,5 M	R164,6 M
• **Expenditure:**	R121,5 M	R129 M
• Electricity Purchases	R 70 M	R 80 M
• Capital: budget	R 18,5 M	R 33.4 M
Staff Complement		
• Approved Posts	154	154
• Filled Posts	115	122
• Vacant Posts	39	32
Top 6 Consumers	**2005/06**	**2006/07**
	6,0 MVA	6,0 MVA
	3,0 MVA	3,4 MVA
	2,4 MVA	2,6 MVA
	2,3 MVA	2,4 MVA
	2,0 MVA	2,1 MVA
	1,6 MVA	1,5 MVA

• Projected large consumer income = R49 M pa • Currently 35 500 active pre-payment meters installed • New Connections Formal Houses – 1138 • New Connections informal Housing - 21		
Maximum Demand • George • Wilderness **Voltages** • 66 kV intake/transmission • 11 kV distribution • 400/230 V "reticulation"	**2005/06** 70,0 MVA 5,0 MVA	**2006/07** 84,9 MVA 4,5 MVA
Housing projects **Electrification scheme**	**2005/06** R587 000,00	**2006/07** R400 000,00

OVERVIEW OF SERVICES PROVIDED AND NARRATIVES ON PERFORMANCE FOR THE YEAR.

The continual Upgrading and Maintenance of the Electricity network in order to accommodate the load requirements in George:

Major Capital Projects completed in 2006/07

Expansion of 66kV Main Network
Upgrading & Extension, High Voltage and Low Voltage Network, Herolds Bay
Upgrading & Extension – High and Low Voltage Network, Wilderness
Electrification
Equipment
Upgrading & Extension of building and premises
Energy Management
Ripple Control
Control Protection and Communication
Upgrading & Extension of 11 kV Network – Inner City
Upgrading & Extension of 11 kV Network – Rural
Replacement of obsolete 11 kV Switchgear and Equipment
Upgrading and replacement of Streetlights
Upgrading of obsolete low voltage network cables
Electrification scheme

Capital Projects, 98% of budget spent

Performance Indicators	**2005/06**	**2006/07**
% of **Capital budget** spent	95%	98%
Operational expenses per unit of electricity sold	34.0.c/kWh	34.0.c/kWh
Admin: Staff Complement, Number of posts filled on the approved organogram. 154 posts	115	122
KPA. Number of people from the employment equity target groups employed in compiance with the approved employment equity plan	95%	95%
Distribution: KPA % of households with access to basic level of electricity. People living on erven zoned for residential purpose.	100% of applications	100%
Number of power failures: Number of failures above acceptable MVA level. Only maintenance related failures. Number of failures above acceptable MVA level (5% of notified demand for more than 1 hour). Only maintenance related failures.	0	0
R/c lost of revenue due to power failures: Average difference between cost price and selling price of electricity.	0%	0%
% of electricity losses (technical network) & non technical – theft/financial**:** kWh bought from Eskom – sold to public.	11%	11%
Quality of Service: NRS 047, customers informed about planned power shut downs. System in place to address complaints. Plan in place to address critical situations. Community educational programmes inplace.	85% compliant	90% compliant
Quality of Supply: compliance with NRS 048	70% compliant	90% compliant
Electrification: Number of new connections, Low cost and ad hoc housing connections excluding requests from informal house owners.	100% of applications actioned	100% of applications actioned
Maintenance: Preventative maintenance programme in place and active	80%	80%
Safety: Number of workplace incidents (Number of serious and fatal occupational incidents for which Employer could be held responsible)	0%	0 %

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2.4 DIRECTORATE: /DIREKTORAAT PLANNING AND DEVELOPMENT BEPLANNING EN ONTWIKKELING

This is a relatively new Department consisting of Town Planning (including Building Control), Housing, Local Economic Development (which has moved to the Assistant Municipal Manager's department after restructuring) and Properties.

Amidst the challenge of being without a Senior Manager to head the Department all sections operated effectively. The following report reflects on the challenges faced and the outcomes achieved with service delivery.

HOUSING

After a number of frustrating years in housing, this year included, we are on the brink of delivering two major projects which have been forthcoming for a number of years.

Tenders have been called for the installation of services for Erf 325, Pacaltsdorp (904 units) and Touwsranten (401 units) and the contractors are to be appointed very soon. These two projects will be the first with services that are of a standard way beyond the norm in our Province. The size of the houses will be a minimum of 40m^2 with internal walls provided.

The infill erven project is in progress, apart from minor issues with the appointed contractor which are being addressed. A number of 93 houses have been completed and handed over to date.

In Tambo Square and Lusaka, the building of 253 houses has commenced. The houses built within this project are of a very high standard. These houses have solar panels with geysers, which is a first for low cost housing in George and South Africa.

The following also form part of the specifications for these houses:

- the foundations are a minimum of 200mm higher than ground level,
- the houses are plastered and painted on the outside,
- a tiled roof,
- a bathroom with a bath, ceramic toilet and hand basin with a row of tiles above the bath,
- the house has two bedrooms, a full bathroom, a kitchen and an open plan living room area,
- electricity, which includes the following: light fittings and light switches in all rooms,
- meranti windows and doorframes,
- facia boards,
- Ceilings.

The contractor, Mellon Housing Initiative, has just completed 36 similar houses as part of the flood disaster programme during August 2006. At the annual meeting of the Southern African Housing Foundation they were awarded a special merit award for these houses built in George.

The work done in respect of the August 2006 flood was completed during the 2006/7 financial year. An amount of R14 500 000-00 was effectively spent on the following:

- Kerbs R4 590 000-00
- EIA Erf 329 R 50 000-00
- Resettlement of informal settlers R1 602 000-00
- Rebuilding of 36 Bungalow Houses R1 478 000-00
- Concrete channels and sub-surface drains R6 780 000-00

The highlight of this year was the fact that the allocated amount of R14,5 million received from Province was spent within six months. One of the projects of the Housing sub-directorate, namely the construction of concrete channels and sub-surface drains, has been nominated for the Impumelelo Innovations Award for 2007/2008.

This project created 539 job opportunities and realised the appointment of 11 emerging contractors from previously disadvantaged groups. The objective of this project was to introduce the legislative requirements of the Construction Industry Development Board. The successful completion of this project enabled the contractors to register for a higher CIDB grading which would allow them in future to tender for projects with a higher monetary value.

HOUSING ADMINISTRATION

In the past year the following housing properties have been sold:

Church erven	(1)	R 400 000
Economic erven	(29)	R 1 295 109
Business Erf	(1)	R 1,100 000
	Total	R 2 435 109

During this period 169 Deeds of Sale were signed and a total of 340 transfers have been registered.

HOUSING (LAND MANAGEMENT)

Professional Mobile Mapping (PMM) has been appointed by National Government to do a Housing Demand Database in the George Municipal area. The database will give a clear indication of how many informal settlers as well as backyard dwellers are living in the George municipal area. This project provided several job opportunities to local George residents (mostly unemployed youth).

Constant migration of people to George poses a huge challenge and this section still battles to keep illegal squatting under control.

BUILDING CONTROL

Performance Indicators	2005/06 Actual	2006/07 Actual
Number of plans approved	1433	1486
New dwelling units	321	354
Additions to dwelling units	724	774
New townhouses	122	123
Additions to town houses	60	44
	2005/06 Actual	2006/07 Actual
Flats	65	7
Additions to flats	10	3
New business buildings	9	23
Additions to business buildings	39	48
New industrial buildings	31	35
Additions to industrial buildings	44	59
New additions to other buildings	17	16
Value of plans approved (Rand)	162 367 993	209 778 732
New dwelling units	75 396 841	101 951 431
Additions to dwelling units	90 425 774	83 670 144
New townhouses	2 759 940	2 307 673
Additions to town houses	24 890 655	22 999 901
Flats	5 791 912	1 449 840
Additions to flats	24 870 300	46 925 738
New business buildings	56 562 326	33 668 533
Additions to business buildings	59 831 975	126 894 592
New industrial buildings	33 275 802	44 419 132
Additions to industrial buildings	9 607 230	10 634 536
New and additions to other buildings	545 780 748	684 700 252

TOWN PLANNING

Land use applications finalized by the town planning section

Application	2005/2006	2006/2007
Rezonings	39	93
Subdivisions	43	124
Departures	29	67
Consent use	14	27
Removal of Restrictions	7	20
Structure plan amendment	3	8
Amendment of conditions of approval	-	2
Total	135	341

The Town Planning section has experience a dramatic increase in the number of land use applications. During the 2005/2006 financial year 135 land use applications were finanlized in relation to 341 during 2006/2007 financial year. This increase of more than 120% can be attributed to the strong growth of our economy, but also to hard work and dedication from the officials of the Town Planning section.

The spatial development framework for the George Municipality area is nearing completion. Public open days were held during May 2006. This strategic forward planning document will be finalized by June 2008.

PROPERTIES

Installation of services to the extensions of Levallia and Delville Park residential areas as well as the 13 industrial erven opposite Tamsui Industria have been completed and these erven will be put on the market shortly.

Installation of services to the extension of Pacaltsdorp Industrial area consisting of 43 industrial erven has been completed and will also be marketed shortly.

Judging from the many enquiries received, the availability of properties, irrespective of the zoning, remains in short supply. Municipal property sales and leases realized an amount of R3 598 088.02 and R741 896.07 respectively during the overview period.

Performance Indicators	2005/06 Actual	2006/07 Actual
Ensuring that the alienation and letting of properties are handled effectively and efficiently by:		
* Marketing properties	12	20
* Inviting tenders	10	20

SUMMARY

The Department experienced delays with the implementation of projects, caused by administrative processes such as EIA approvals. As a result of the aforementioned, some of the housing projects could not commence and had to be carried over to the following financial year. Public participation is a key to good governance and proper consultation with all role-players for all projects remains the order of the day.

The retention of scarce skills and human resource development poses major challenges to this Department especially in the Building Control section. Various programmes have been introduced to capacitate internal staff members.

In spite of the various challenges, the Department still managed to achieve the outcomes and the targets set for the financial year. The dedication and co-operation of staff proved to be the successful element in the achievements of all the sections within the Department of Planning and Housing.

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2.5 DIRECTORATE: /DIREKTORAAT HEALTH SERVICES GESONDHEIDSDIENSTE

STRATEGIC OBJECTIVE

Reliable, adequate and efficient Environmental Health Services to the public of George (including the rural areas within the municipal boundaries).

1. **Service delivery unit: Environmental Health – IDP Key Performance areas and objectives cover by the services**

 Social Development, Health and Education

 Environmental Safety and Security

 Animals – Keeping of animals control system in place and enforced.

 Environment - Implement environmental management strategies in order to ensure the development, utilisation and conservation of a social and natural environment.

 Overview of service provided and narrative on performance for the year

 Two full time Environmental Health Practitioners are employed. Their main focus areas are noise and air pollution prevention, overgrown erven, the enforcement of the national legislation regarding smoking in public places, keeping of animals, issuing of business licences, pauper burials and environmental health projects. They were also involved in the public participation process for the Air Quality Management plan for the Eden District Municipality which includes George.

 Environmental health education projects included National Water Week, Sanitation Week, Tobacco Week, Environment Day and Arbour Week. The beneficiaries of this projects were crèches, school children, municipal employees and other adults.

 All environmental related by-laws such as keeping of livestock, keeping of bees, overgrown erven, smoking policy, pauper burials, application for entertainment licences and applications for business licences were revised.

Performance Indicators	2005/06 Actual	2006/07 Actual
Noise nuisance complaints	19	44
Air Pollution complaints	8	11
Smoking in public places complaints	8	11
Complaints regarding overgrown erven	228	309
Number of complaints received	1176	848
Number of complaints resolved	100 %	100 %
Number of environmental sessions held	3	6
Number of people reached with environmental sessions	1494	876
Uncontrolled Dumping	56	82
Keeping of animal complaints	28	58
Issuing of Business & Entertainment licences	90	39
Pauper burials	31	40
Telephonic Enquiries		404

SERVICE DELIVERY UNITS: SOCIAL DEVELOPMENT

INTRODUCTION

The role of the Social Development Section is to ensure social development, empower and develop the youth, to address challenges facing vulnerable people (children, the aged and disabled), those living with HIV/AIDS and children living on the street and to address gender imbalances.

IDP KEY PERFORMANCE AREAS AND OBJECTIVES COVERED BY SERVICE(S)

Social Assistance and Awareness
To promote social development by addressing the social challenges within George through Social Assistance and Awareness programmes.

Soup kitchens
To address the nutritional needs and enhance the quality of life of children and chronically ill people in the poverty-stricken areas.

Children living on the street (homeless people)
To address the needs of children on the street by providing a safe haven, where they can develop on a social, emotional, physical and intellectual level to ensure their successful reintegration into community of families.

Early Childhood Development
Aimed at providing the infrastructure for preschool children to promote their physical, intellectual and emotional development. The upgrading of crèche facilities and the establishment of well-functioning crèche facilities is a priority of this directorate.

Youth Development
This is the development of young people between the ages of 14 and 35 years to ensure that the vision of Council with reference to the well-being and development of young people are met. The following sectors have been identified:
Education & Health, Community Safety, Sport Development, Arts & Culture, Young Entrepreneurship, Social, Religious and Political Development.

Gender Equality
Aimed at promoting a society in which there is equality between men and women regardless of race, sex, religion, mental status, disability and geographic location.

International Relations
To build relations with other countries to promote co-operation between them and George specifically with reference to social development, youth, gender, disabilities and HIV/AIDS.

Disabilities
Aimed at community involvement, marketing, promotion and education/development to address the rights of people living with disabilities and to create awareness of the challenges which people face on a daily basis.

OVERVIEW OF SERVICES PROVIDED AND NARRATIVE ON PERFORMANCE FOR THE YEAR

SOCIAL DEVELOPMENT

Social Assistance and Awareness Programmes
Various Programmes have been launched within this section, e.g. Anti-littering campaigns, programmes with regards to municipal services and social challenges, organic vegetable gardens that address the nutritional needs of the unemployed and chronically ill people in the community, community groups aimed at skills development and addressing their basic social needs of the unemployed and aftercare centres in the community where learners can do their homework in a quiet and safe environment.

Soup Kitchens
An amount of R 1.2 million was placed on the budget for the running of soup kitchens, which includes R 800 000 for a school feeding programme and R 400 000 for community soup kitchens. The project is currently administered by the ACVV.

Children living on the street (Homeless People)

An amount of R 1 million has placed on the 2005/06 capital budget for the erection of a centre for children living on the street. The centre has been completed and is managed by Youth for Christ (KIDSTOP). This centre accommodates 6 children at a time and they are exposed to life skills programmes to ensure their rehabilitation and integration into the community. A further amount of R 1.5 million has been placed on the 2007/08 budget for the extension of this service.

Early Childhood Development

An old building in Blanco has been restored for the running of a pre-school centre. Various workshops have been held within the community as they will be responsible for the management of the project, once it is up and running.

Performance Indicators	**2005/2006 Actual**	**2006/2007 Actual**
Number of educational sessions held	152	238
Number of social programmes launched	19	26
Number of people reached during sessions and programs	9716	10 298
Number of beneficiaries of soup kitchen project per month (average)including school feeding scheme and community soup kitchens	171 828	246 740

The Senior Social Worker and the Youth Co-ordinator serves on the Eden District Task team to develop a strategic gender plan for the district. A draft gender has been developed. Although there is currently no specific gender focal person in the George Municipality, gender development is addressed in the social and youth development projects.

Youth Development

An amount of R 400 000 has been allocated on 2006/07 budget for Social Development of which R 200 000 was utilised for youth development. Several projects and programmes have been launched addressing aimed at the empowerment and development of the local youth, e.g. Drivers Licence Project, computer training, learnerships, ecological garden training, career exhibition, awareness campaigns around disabilities, crime, drug abuse, volunteer training, anti-littering campaigns, Youth Day celebrations, etc

Performance Indicators	**2005/2006 Actual**	**2006/2007 Actual**
Number of Youth Projects launched	10	131
Number of People reached	1 141	1910

SERVICE DELIVERY UNIT: HIV/AIDS PROJECTS

IDP KEY PERFORMANCE AREAS AND OBJECTIVES COVERED BY SERVICE(S)

HIV/AIDS
To address the special needs of those infected and affected by HIV/AIDS through education, awareness, social projects and treatment and care projects.

OVERVIEW OF SERVICES PROVIDED AND NARRATIVE ON PERFORMANCE FOR THE YEAR

The HIV/AIDS Sub-committee is divided into three working groups, namely Special Events, Treatment and Care and Education and Awareness. Various programmes have been held in this year, e.g. Khomanani Day, Youth Day, Candlelight Memorial Day, World Aids Day and Women's Day.
Educational programmes held included information and awareness sessions at taverns, amongst sex workers, the youth and community information sessions as well as Voluntary Counselling and Testing at businesses, schools and the community. Approximately 10 979 condoms were distributed at garages, libraries, public toilets, churches and businesses.
Programmes under the Treatment and Care Working Group included: support groups, vegetable gardens, nutritional support to those awaiting disability grants and clothing banks.

Performance Indicators	**2005/2006 Actual**	**2006/2007 Actual**
Number of special events organised	6	5
Number of health awareness campaigns held	80	414
Number of people reached with HIV projects	16 268	199 161

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2.6 DIRECTORATE: /DIREKTORAAT HUMAN RESOURCES MENSLIKE HULPBRONNE

Human Resources is responsible for ensuring that the organisation's most valuable asset, its employees, are taken care of.

The Human Resources functions include, but are not limited to, administration of employee benefits, recruitment of competent staff, employment equity, training and development of staff, sound labour relations, occupational health and safety and the general support services to enhance staff capacity in the process of realising organisational strategic objectives of service delivery to the community.

Looking back at the 2006/07 financial year, we are pleased to report that the overall performance of the directorate, in supporting and servicing the other directorates has met expected levels. However, we are well aware that we continue to face considerable challenges. We are confident that we are well positioned to meet these challenges head-on in the coming financial year.

I wish to extend my deepest gratitude and thanks to my colleagues for their constructive contribution, dedication and devotion to their tasks. It is much appreciated.

Service Delivery Units: Human Resources

Overview of services provided and narrative on performance for the year

HR Administration

The provision of a uniform recruitment and selection process is integral to Human Resource's commitment to excellence across all directorates. In this regard a Revised Appointment policy was developed and adopted to provide clear guidelines based on good practice for the recruitment and selection of prospective candidates. In total 158 appointments were made in line with the Appointment policy and Council's Employment Equity targets. Much of these appointments include internal employees who were promoted to higher positions.

Although organisational changes may have caused difficulty in achieving our numerical and employment equity goals, the problem remains that difficulty is experienced in attracting suitably qualified candidates from designated groups for specialised positions.

HR Development

The Adult Basic Education and Training program commenced in 1993 and has since grown into a fundamental tool that ensure continuous development of Human Capital.

Education as a fundamental Human Right has been adhered to and the Adult Basic Education and Training program, like any other initiative, also faced challenges.

The financial year 2006/07 can be described as watershed, due to the development of an awareness between both employer and employee of the important role that Adult Basic Education and Training has and will play in the future development of the George Municipality and in meeting it's strategic Intergrated Development Plan objectives.

Performance Indicators	**2005/06 Actual**	**2006/07 Actual**
NUMBER OF PARTICIPANTS		
ABET Level 1	35	8
ABET Level 2	15	8
ABET Level 3	8	14
ABET Level 4	21	29
ABET Xhosa Class	18	34
TOTAL	97	93

Labour Relations and Occupational Health and Safety employees were outstandingly committed to their different tasks in uplifting service delivery to the employees and the employer. Both fields were challenged with high volumes of commitments, but with the hard work and dedication of employees, achievements were well met. Education for employees in these fields are a priority and was arranged timeously. All Occupational Health and Safety representatives were trained in order to render a professional service to the employees.

Human Resource Development strives with its Occupational Health and Safety section, to motivate the employees to promote a safe working environment, and to educate them through training and learning, whilst keeping them in line by way of Labour Relations and supporting them socially by providing employee assistance.

Performance Indicators **Included in 2006/07 Annual Report**	**2005/06 Actual**	**2006/07 Actual**
OUTCOMES OF DISCIPLINARY HEARINGS		
Verbal warning	6	0
Written warning	1	4
Final written warning	5	8
Suspended without pay	0	2
Correctional counselling	6	5
Demotion	0	0
Fine	0	0
Dismissal	2	7
Transfer	0	0
TOTAL	14	26
TYPES OF MISCONDUCT		
Bribe	0	0
Damage of council's property	1	0
Misuse of council's property	1	4
Insubordination	3	4
Use of intoxicants	6	13
Unauthorised absence	5	10

Performance Indicators **Included in 2006/07 Annual Report**	**2005/06 Actual**	**2006/07 Actual**
Fraud	1	1
Sexual harassment	0	0
Assault	0	1
Theft	0	0
Other	0	2
TOTAL	17	35
SUSPENSIONS		
Number of suspensions	2	5
OCCUPATIONAL HEALTH AND SAFETY: INJURIES ON DUTY		
Received medical attention only	43	42
Temporary disablement	44	64
Permanent disablement	0	0
Fatalities	0	0
Total	87	106
Number of skills development courses	35	35
Number of employees attending courses	586	690
KPA - The number of people from employment equity target groups employed in compliance with the approved employment equity plan		158

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2.7 DIRECTORATE: /DIREKTORAAT FINANCIAL SERVICES FINANSIËLE DIENSTE

1. INTRODUCTION

The Financial Services Directorate manages the financial affairs of the municipality to ensure the optimum use of all municipal assets. In essense this directorate is the protector and custodian of the public purse as it levies taxes and charges on the public, collects the taxes and charges from the public and administers the expenditure of those taxes and charges on goods, services and assets on their behalf.

The financial processes this directorate manages include budget preparation, budget monitoring, reporting, financial statements, supply chain management including stores/warehousing, investments, loans, valuations, rates, services, credit control and IT support.

A. SERVICE DELIVERY UNIT: HOUSING

IDP Key Performance Areas and Objectives covered by service(s)

Governance/Administration and Finances.

Housing administration and financial management of the housing fund, repayment of housing loans and selling and letting schemes.

Overview of services provided and narrative on performance for the year

Financial management service was provided to enable the collection of and management of housing rental fees and selling scheme payments.

Reconciliations of the housing loans, selling and letting payments and housing fund were completed on a regular basis.

Assistance to customers was rendered by this section continuously.

Issuing of accounts and collection of all amounts rendered for payment.

Performance Indicators	2005/06 Actual	2006/07 Actual
Queries of customers attended to	100 %	100 %
Accounts rendered to housing customers	100 %	100 %
Reconciliations completed	100 %	100 %

B. SERVICE DELIVERY UNIT: RATES

IDP Key Performance Areas and Objectives covered by service(s)

Governance/Administration and Finances.

Administration of property rates register and levying of assessment rates on municipal accounts.
Continuous updating off rates register in accordance with interim valuations completed.

Overview of services provided and narrative on performance for the year

The property rates unit managed to incorporate all interim valuations finalised by the municipal valuer.

All the information received from the deeds office was incorporated in the records of the municipality.

The implementation of the various procedures resulted in an increase in the municipal valuation, land and buildings, with the subsequent increase in revenue.

Performance Indicators	2005/06 Actual	2006/07 Actual
Percentage of registered clients billed prior to last working day of month	100 %	100 %
% of clients billed per month	100 %	100 %
Owner Property register updated	Quarterly	MONTHLY
Months without 5+ legitimate complaints regarding incorrect accounts	10	10
Valuation – Taxable Land	R3,0 Billion	R3,1 Billion
Valuation – Taxable buildings	R5,7 Billion	R5,9 Billion

C. SERVICE DELIVERY UNIT: CREDIT CONTROL

IDP Key Performance Areas and Objectives covered by service(s)

Governance/Credit Control.

The implementation and management of the approved Credit Control and Debt Management Policy and the approved Indigent Policy with the main objective to limit the increase in consumer debtors.

Overview of services provided and narrative on performance for the year

This unit provided the service through a process where the following aspects were, inter alia, addressed:

- ❖ Reporting monthly re collections and outstanding debts;
- ❖ Attending to correspondence and enquiries regularly;
- ❖ Handing over of accounts to credit control agent for collection;
- ❖ Liaising with credit control agent and attorneys and monitoring collections;
- ❖ Ensuring that disconnection of services were made as and when required; and
- ❖ Assist consumers regarding arrangements for payment
- ❖ Administration of indigent register

Performance Indicators	2005/06 Actual	2006/07 Actual
Actual service terminations expressed as a percentage of proposed service terminations	85%	97%
Indigent applications evaluated	100%	98%
% of accounts paid	96%	96%
% of debtors handed over after 150 days	90%	100%

D. SERVICE DELIVERY UNIT: STORES/WAREHOUSING

IDP Key Performance Areas and Objectives covered by service(s)

Governance/Administration and Finances.

The maintenance of acceptable stock levels and limiting stock surpluses and shortages to acceptable levels.

Rendering a service of high standard to all directorates.

Overview of services provided and narrative on performance for the year

This unit rendered a comprehensive service to all directorates, especially the technical directorates.

The unit succeeded in preventing stock shortages to the users, avoid unacceptable delays and maintained stock levels to acceptable levels.

The unit achieved a result regarding surpluses and shortages far above the acceptable norms.

The unit performed excellently.

Performance Indicators	2005/06 Actual	2006/07 Actual
Value of stock at yearend	R4,200,000	R5,600,000
Stock surpluses	0,06 %	0,01 %
Stock losses	0,07 %	0,01 %

E. SERVICE DELIVERY UNIT: COMPUTER NETWORK AND MAINFRAME

IDP Key Performance Areas and Objectives covered by service(s)

Governance/Communication; Administration and Finances.

Rendering an acceptable support service to all directorates regarding internal computer network.

Rendering a support service on the financial system to all directorates, especially the Directorate Financial Services.

Overview of services provided and narrative on performance for the year

The computer network unit addressed all requests from the directorates and handled all calls lodged at the call centre by all the directorates.

This unit also managed the maintenance, development and replacement of computer equipment required on the networks.

The computer mainframe unit rendered their services in such a sufficient manner that all deadlines regarding consumer accounts, salary payments, creditor payments, budgeting documentation, financial statement preparation and statistical data capturing could be achieved.

Performance Indicators	2005/06 Actual	2006/07 Actual
Months billing deadlines were achieved	12	12
Downtime percentage	0 %	1 %
Months reporting deadlines achieved	12	12

F. SERVICE DELIVERY UNITS: FINANCE, SALARIES, BUDGET OFFICE, FINANCIAL STATEMENTS

IDP Key Performance Areas and Objectives covered by service(s)

Governance/Administration and Finances.

The financial management of the municipality through applying financial controls, standards, formats, guidelines and principles are determined by the relevant financial legislation.

Overview of services provided and narrative on performance for the year

The following services are, inter alia, provided by these service delivery units:

- Contract and creditor payments;
- Cash management
- Risk management;
- Investment management;
- Reporting to committees;
- Payment of salaries;
- Budget preparation;
- Budget control;
- Procurement management;
- Asset management;
- Policy maintenance;
- Financial statement preparation;
- Audit communications;
- Statutory reporting; etc.

Performance Indicators	**2005/06 Actual**	**2006/07 Actual**
Months during which bank reconciliation have been completed	12	12
Payment of Creditors within 30 days	100 %	100%
Months that salaries were paid on 25th or last working day prior to 25th	12	12
Salary Related Deductions transferred prior to 7th of current month	100 %	100%
% of purchases reflected in asset register	100 %	100%
Asset Management: Depreciation reflected in asset register	Annually	Annually
Percentage of insurance claims settled within 90 days	95 %	95%
Number of months without unauthorised spending	12	12
Months General Ledger is fully balanced	12	12
Months bank reconciliations complete	12	12
Financial Statements completed	14/09/2006	12/09/2007
Cash management and investment policy approved by Council	YES	YES
Budget tabled by 31 March	YES	YES
Budget approved by 31 May	YES	YES

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3. MENSLIKE HULPBRON EN ORGANISATORIESE BESTUUR

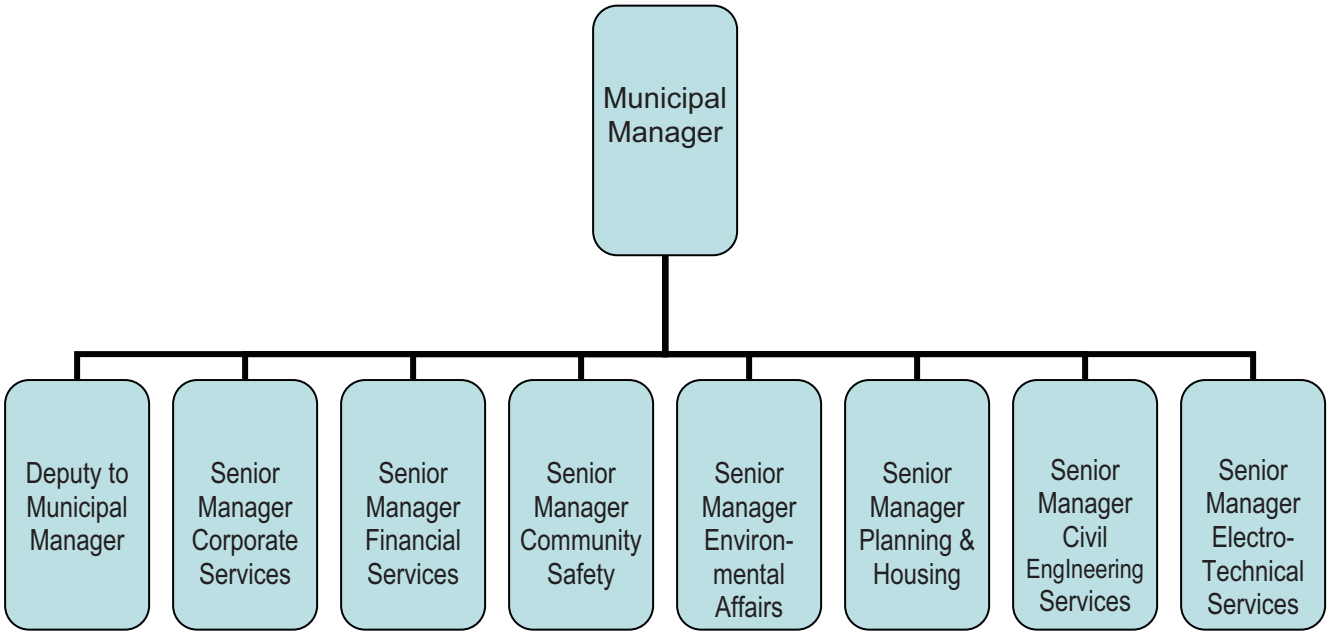
HUMAN RESOURCE AND ORGANISATIONAL DEVELOPMENT

INTRODUCTION

After more than two years without a Municipal Manager, Mr Cecil Africa took up office on 1 August 2006. With a view to optimally utilising the resources at his disposal to enhance effective service delivery, he initiated a full scale restructuring exercise of the macro organisational structure.

After numerous workshops with various stakeholders the macro organisation of the George Municipality was reviewed in terms of the Municipal Systems Act, (Act 34 of 2000) to ensure that the macro organisation is structured in an effective and efficient manner.

The final outcome was the establishment of eight new departments.



The key performance areas of the above are as follows:

Deputy to Municipal Manager:

- IDP/Performance Management
- Participation & Communication
- Intergovernmental Relations
- International Relations
- Councillor Support
- Legal Services
- Economic Development
- LED
- Tourism

Senior Manager: Financial Services (CFO)

- Income/Revenue
- Expenditure
- Budget Office
- Financial Statements
- Supply Chain Management
- Investments
- Asset Management & Control
- Valuations
- Insurance

Senior Manager: Civil Engineering Services

- Roads & Stormwater
- Water
- Sanitation/Sewerage
- Transport
- Planning/Traffic
- Engineering
- Mechanical Workshop

Senior Manager: Electrotechnical Services

Senior Manager: Corporate Services

- Customer Care
- Human Resources
- Information Technology
- Administration
- Registry/Records
- Committee Services

Senior Manager: Environmental Affairs

- Cleansing
- Parks & Recreation
- Cemetries
- Public Open Spaces
- Swimming Pools
- Beaches
- Sports
- Grounds
- Caravan Parks
- Corporate Facilities
- Maintenance

Senior Manager: Planning & Housing

- Town Planning
- Development
- Control
- Spatial Planning
- Property/Land Use
- Management
- Environmental Impact Studies
- Building Control
- Housing
- Integrated Human Settlements

Senior Manager: Community Safety

- RED
- Interaction
- Distribution
- Street Lighting
- Client Services Systems
- Operations/Maintenance
- Infrastructure Development
- Electrical Workshop
- Traffic Lights
- Fleet Management
- Vehicle Maintenance
- Disaster Management
- Fire Fighting Services
- Traffic Services
- Law Enforcement
- Security Services

DEMOGRAPHICAL PROFILE PER OCCUPATIONAL CATEGORY AS AT 30 JUNE 2007

	AFRICAN			COLOURED			WHITE			INDIAN			
POST LEVEL	MALE	FEMALE	TOT	MALE	FEMALE	TOT	MALE	FEMALE	TOT	MALE	FEMALE	TOT	TOTAL
TOP MANAGEMENT													
Municipal Manager & Directors	0	0	0	2	0	2	1	1	2	0	0	0	4
SENIOR MANAGEMENT													
Post level 1 - 3	3	0	3	5	2	7	12	4	16	0	0	0	26
MIDDLE MANAGEMENT													
Post level 4 - 6	4	3	7	27	8	35	27	12	39	1	0	1	82
SKILLED													
Post level 7 - 12	52	23	75	111	72	183	39	36	75	0	1	1	334
SEMI-SKILLED													
Post level 13 -16	46	21	67	69	40	109	12	6	18	0	0	0	194
UNSKILLED													
Post level 17 -19	130	36	166	139	68	207	2	0	2	1	1	2	377
TOTAL	235	83	318	353	190	543	93	59	152	2	2	4	1017

APPOINTMENTS AND PROMOTIONS 1 July 2006 to 30 June 2007

	AFRICAN			COLOURED			WHITE			INDIAN			
POST LEVEL	MALE	FEMALE	TOT	MALE	FEMALE	TOT	MALE	FEMALE	TOT	MALE	FEMALE	TOT	TOTAL
TOP MANAGEMENT													
Municipal Manager & Directors	0	0	0	1	0	0	0	0	0	0	0	0	1
SENIOR MANAGEMENT													
Post level 1 - 3	0	0	0	0	0	0	0	1	1	0	0	0	1
MIDDLE MANAGEMENT													
Post level 4 - 6	2	1	3	6	3	9	4	1	5	0	0	0	17
SKILLED													
Post level 7 - 12	11	2	13	22	25	47	5	7	12	0	0	0	72
SEMI-SKILLED													
Post level 13 -16	5	4	9	3	13	16	1	0	1	0	0	0	26
UNSKILLED													
Post level 17 -19	1	7	8	5	27	32	1	0	1	0	0	0	41
TOTAL	19	14	33	37	68	104	11	9	20	0	0	0	158

SKILLS DEVELOPMENT

The Workplace Skills Plan was submitted to the LGSETA as required by the Skills Development Act, 97 of 1998. The following Skills Development courses were presented :

Training and Education provided for the period: 1 July 2006 – 30 July 2007

Number	Courses	Amount spend per course/ intervention
1	Traffic Officer Training	R 41579.16
2.	Clients are Welcome	R 700.00
3.	EAP Course	R 3900.00
4.	Diversity Awareness	R 66 113.00
5.	DB 4 – Computer	R 5414.60
6.	Mitigation impact of HIV / AIDS in the Workplace	R 1365.00
7.	Stress Management	R 10280.00
8.	Basic Supervision	R 14927.00
9.	NMDS	R 3900.00
10.	Technical Training	R 26428.86
11.	Key skills for P/A's and Secretaries	R27280.00
12.	Upgrading of Informal Settlements	R 27280.00
13.	Pulsar Training	R 14927.27
14.	ENaTIS	R 4814.90
13.	Computer Training	R 15810.78
14.	Leading at a Higher Level	R 32276.70
15.	Compensation for OHS	R 26428.86
16.	SHE awareness	R 25687.08
17.	IMPSA	Free
18.	Women Councillor training	Free
19.	Lock Out – Tag Out	R 26428.86
20.	Law Enforcement training	R 41617.87
21.	Peace Officer training	R 63790.00
22.	First Aid Training	R 14927.75
23.	Traffic Officer training	R 41617.87
24.	Traffic Officer	R 32240.59
25.	Disciplinary workshop	R 5862.96
26.	Wiring	R 24298.96
27.	Basic Electrical Training	R 37982.63
28.	P/A Training	R 6445.20
29.	Metering	R 13674.74
30.	Pumpstation control	R 9226. 89
31.	EPWP 1. Contractor training 2. Supervisor Training	R 24860.00
32.	Legal Compliance in the appointment process	R 11881.08
33.	High Performance P/A or Administrator	R 6365.00

34.	Omicron Measurement Testing	R 12996.00
35.	End-user Training	R684.00
36.	Conflict Resolution and Negotiation skills	R 3400.00
37.	Traffic Officer Training	R 41580.00
38.	Traffic Officer Training (Limpopo)	R 191761.00
39.	Skills Development Training	R 790.00
40.	HAZCHEM transport training course	R 6669.00
41.	Personal Money Management	R 61728.15
42.	Finance for non financial Managers	R 136800.00
43.	Report Writing	R 38580.00
44.	First Aid Training Level 1	R 28000.00
Total		**R 1 233 321.76**
Excluding: 1. Sustenance & Travelling 2.Accommodation expenditure		

Apart from the above, a total of just more than R200 000 was spent on both internal and external bursaries, benefitting 55 individuals.

Forty five people are engaged in Learnerships in the Electrical field as well as the Extended Public Works Program.

4. LOCAL ECONOMIC DEVELOPMENT

PLAASLIKE EKONOMIESE ONTWIKKELING

SERVICE DELIVERY UNIT: LOCAL ECONOMIC DEVELOPMENT

Overview of services and narrative on performances for the year

GEORGE LOCAL ECONOMIC DEVELOPMENT STRATEGY (GLEDS)

The LED Strategy was approved and adopted by Council during 2006. Said strategy identified five key interventions, viz.:



- Restructuring of the space economy
- Human Resource Development
- Poverty Eradication Strategy
- SMME Development and Support Strategy
- Economic Development Charter and Sector Strategies

Human Resource Development, SMME Development and Support Strategy and the Economic Charter received specific attention in this financial year. The following sections will report on the progress made in these areas.

GEORGE LOCAL ECONOMIC DEVELOPMENT STRATEGY IMPLEMENTATION PLAN (GLEDSIP)

The practical implementation of any strategy is always a challenge. The challenge of implementing GLEDS was therefore regarded as an opportunity to develop a pragmatic implementation plan to carry out the objectives identified. The result is GLEDSIP, approved and adopted by Council during June 2007.

Apart from practical implementation vehicles to address the execution of the interventions identified in GLEDS, GLEDSIP made provision for an ***Incentive Policy***, to attract direct and indirect investments to George.

The document further provided for a ***revised structure*** for the LED Section, including imperative functions such as Communication, Marketing and Tourism.

Agreements with private sector stakeholders were put in place. The aforementioned stakeholders include financial institutions and attorneys, assisting the George LED Section on an *ex gratia* basis, free of charge, with the evaluation of LED projects, applications for financial assistance and the drawing up of contracts.

GLEDSIP contains detailed documentation on ***evaluation procedures and processes***; evaluation takes place according to a technically devised points system, prioritising projects and including a cost/benefit analysis.

Six ***potential flagship projects*** were evaluated in terms of the initial GLEDSIP documentation, and were prioritised for execution and implementation purposes. One of these included the Masakhane Container Mall, providing trading space for small businesses and entrepreneurs.

Finally, GLEDSIP contained a ***PPP (Public Private Partnership) Toolkit***. Four extensive volumes concentrating on best practices, pros and cons pertaining to PPP's, were the result of wide research into this subject.

GEORGE ECONOMIC DEVELOPMENT CHARTER (GEDC)

As per one of the original five key interventions identified in GLEDS, work has commenced to develop the George Economic Development Charter (GEDC). Extensive research into economic charters worldwide was performed, and resulted in a series of three workshops held in early June 2007. The three workshops were identical, but each focused on different stakeholder segments to ensure that relevant inputs from interested parties on all community levels were obtained. A draft GEDC was developed and according to various sources, George Municipality will be the first local authority in South Africa with an economic charter. The final document will be tabbed to Council during the next financial year.

COMMUNICATION STRATEGY

An item pertaining to the execution of a communication audit and the development of an internal and external communication strategy to promote LED interventions and Council in general, was approved. The primary aim of the communication audit will be to identify possible communication gaps and to utilise the results of the audit to develop an internal and external communication strategy that will promote public participation and lobby support for LED initiatives and to market and brand Council. Invitations for tenders / quotations for the execution of the audit and the development of the relevant communication strategies will be invited during the next financial year. The Head: LED, who recently completed her degree in Master of Arts, with Specialisation in Organisational Communication Research and Practice, was further invited by UNISA to be trained in the "PCI" diagnostic model developed for national and international use, focusing specifically on diagnostic tools for communication audits and the subsequent development of relevant communication strategies.

MARKETING AND BRANDING STRATEGY

The development of the short-term marketing and development plan is approximately 85% complete. Only inputs from relevant stakeholders are awaited, after a workshop scheduled for early in the next financial year. The draft plan will then be submitted to the relevant committee for approval and implementation.

The short-term marketing and development plan will form the basis from which a comprehensive marketing/brand/place destination strategy for George will be developed over the next two financial years. The primary aim of this strategy will be to attract potential investors and developers to George to facilitate economic growth and to create the opportunity for significant job creation.

The branding of the City of George as a preferred destination for general tourism, sport tourism, development and investment will be another key sub-strategy forming part of the comprehensive marketing/brand/place destination strategy.

SMME STRATEGY

Quotations were invited for the compilation of a SMME Database, but the project had to be cancelled due to unforeseen circumstances involving the tenderer. This project will be considered again for the 2008/9 financial year, as it was not budgeted for in the 2007/8 financial year.

SKILLS DEVELOPMENT STRATEGY

The successful completion of the Skills Development Survey for the George municipal area provided great insight into the skills gaps.

The survey provided information on possible skills gaps, over- and under-supply of skills, and the availability of skills development programmes in George to address the possible skills gaps.

The data obtained in the final report on the skills audit will be utilised as a base for the development of a skills development strategy. It is envisaged that the skills development strategy will address the skills gaps through identifying relevant knowledge partners that can develop programmes to deal with possible skills gaps and supplying skills development programmes that will enhance the opportunities for employment of participants.

SKILLS DEVELOPMENT CENTRE

The establishment of the George Municipality Skills Development Centre addressed one of the remaining five key interventions identified in GLEDS. The Centre has two fully equipped classrooms, one located in the George Tourism Building and the other in Pacaltsdorp.

Courses are aimed at the unemployed and appointed skills service providers strive to focus on the youth and women in particular. Course material is approved and underwritten by the Nelson Mandela Metropolitan University and certification from Lyceum College is currently awaited. The following modules pertaining specifically to approved computer training material are presented:

- Introduction to PC's
- MS Windows
- MS Word Basic and Advanced
- MS Excel Basic and Advanced
- MS Powerpoint Basic and Advanced
- Internet
- E-mail



Participants can further be trained in the following:



- Train the Trainer
- Basic Entrepreneurship Skills
- Basic Business Skills
- Basic Life Skills
- Arts and Crafts
- Flower Arrangement.

The Skills Development Centre received wide praise; an exclusive interview appeared in the *Service Delivery* Magazine, in which the George Centre was upheld as best practice example of practically addressing human resource development in a local municipal area. Although the centre only became fully operational during the second half of this financial year, more than 250 students successfully completed their respective courses. A Graduation Ceremony is held for each group after completion of the full range of subjects.

TOURISM STRATEGY

Quotations were invited for the execution of a tourism analysis. The due date for the completion of this analysis is during the first quarter of the next financial year. The primary aim of the tourism analysis is to compile an all-encompassing database of existing and potential tourist attractions and tourism facilities in the George municipal area, existing and potential tourism development and promotion initiatives in George and existing and potential developmental tourism interventions aimed at the inclusion of entrepreneurs from the 2nd economy.

This analysis phase will form the basis of an envisaged tourism strategy to be developed during the next financial year.

HUMAN RESOURCES AND TRAINING

Although this section currently consists of only two employees, a revised and extended structure to promote LED and Communication/Marketing, has been approved.

The Senior Clerk: LED has successfully registered at UNISA for the National Diploma in Management and is currently busy with his second semester.

The Head: LED successfully completed a degree in Master of Arts in Organisational Communication Research and Practice and will receive this degree during the September 2007 graduation ceremony. She was subsequently invited to participate in the "PCI" diagnostic communication audit and strategy development model developed by Prof G Angelopulo at UNISA. A report in this regard will be tabled to Council in due course.

The Head: LED was nominated to attend the Senior Management Development Programme presented by the University of Stellenbosch Business School. The course is conducted over four weeks and several assignments had to be completed in order to acquire a pass mark for the course. The course was completed during May 2007 and the results are still outstanding.

The position of LED Assistant was advertised and applications closed on 25 August 2006. The LED Clerk, Mr R Dyantyi, was the successful candidate. The position of

LED Clerk was then advertised, but none of the short-listed candidates were found to be competent. This position will be re-advertised as soon as possible.

The LED Section will move to the Old Library building (also occupied by the George Tourism Bureau) in July 2007. The LED Section will fund the reparations and upgrading planned for the building and it is envisaged that apart from the one classroom, a LED Resource Centre will be established there.

LED FUNDING POLICY

The Head: LED developed an interim LED Funding Policy to ensure that the funds budgeted for LED is spent in line with the mandate provided to LED by the Constitution, the guidelines of the MFMA and other relevant legislation. The interim LED Funding Policy was approved by Council during September 2006.

OTHER

Bennie Niemand Farming Project

Mr Bennie Niemand approached the LED Section offering land, infrastructure and entering into markets for a framing project to be established between him and 14 women trained by him in collaboration with the Experimental Farm, Elsenburg College in Stellenbosch and the Department of Agriculture. An item pertaining to the funding of equipment and mentorship fees for the project was submitted and a final decision in this regard is expected during the last quarter of the current financial year.

Marketing and Promotion of George

Several marketing paraphernalia were designed and developed. These included, inter alia, four new quick screens for utilisation at exhibitions and workshops, promotional bookmarks, promotional pens, promotional soft cover folders and promotional fake leather folders.

A weekly half-page in the George Herald is utilised for marketing and information purposes pertaining to LED projects and initiatives. Presentations to key private sector stakeholders, e.g. the Garden Route Mall Ambassador Club, Probus Club, etc. ensured the building of networks and relationships for LED mentorships and other initiatives. A strategic partnership between George Municipality and the Garden Route Mall is currently being negotiated.

Promotional and marketing text and photos were designed and developed for inclusion in, inter alia, the Western Cape Business Guide, Opportunity Magazine, the Garden Route Mall Gazette, Portfolio of Municipalities and the SA Rugby magazine. An online page has been designed and placed with the George Business Chamber website and approval was obtained for an online page on the Trade and Invest website; the contract is for three months and will commence during the last quarter of the current financial year.

South Cape Business Centre

South Cape Business Centre is currently acting as the business services partner of Council in respect of the development of business plans, project feasibility studies, tendering assistance and relevant business services. A letter was also forwarded to the Western Cape Provincial Government to obtain accreditation for South Cape Business Centre as RED Door Centre as they already have the infrastructure and a RED Door facility is not available in George. An answer from WCPG is still awaited.

Ad Hoc Job Creation - Projects

Two temporary workers were appointed to conduct a survey for a tavern in Blanco. Approval for the establishment of a barbershop was obtained and the person was furnished with LED funds for equipment. The SMME Database project, before it was terminated, ensured temporary employment for approximately 32 unemployed people. Several of the learners participating in the courses presented at the Skills Development Centre obtained casual jobs due to their newly acquired knowledge. Approximately 20 people were provided with temporary jobs during the survey for the skills development audit. Local emerging businesses were awarded quotations for the presentation of certain courses, the translation of policy documents and the development of a Business Start-Up Manual.

Approximately 20 students who graduated successfully from the Skills development Programme at George Municipality, were offered various in-house training opportunities with several store owners at the Garden Route Mall, as a result of the negotiations between the LED Section and GR Mall Management. This project has the potential to expand and will continuously be upgraded. ACSA also expressed interest in this regard in addition to several other companies.

Two entrepreneurs were introduced into the system by the LED Section, and assisted with the computer training and the development of the short-term marketing plan respectively.

Southern Ambition Bricks and Concrete

A letter was forwarded as well as several follow-up calls were made to the MEC for Housing to obtain approval for utilising several erven in Thembalethu for the expansion of this initiative as well as the establishment of a business hive on the remainder of the land. An answer is still awaited.

Tourism Area Offices

The George Wilderness Tourism Bureau eventually received final approval for the funding for the establishment of two area tourism offices, one each in Pacaltsdorp and Thembalethu. Land was acquired from Council for the construction of these offices.

Call Centre

An item was submitted to the Housing and Land Affairs Committee pertaining to an offer from Eden Connect to establish a Call Centre in George with George Municipality as pilot client. It was adjudicated that a delegation of two officials and two Councillors will further investigate the benefits of such a venture for Council and the community before a final decision is taken.

Sakh'Ubunye Training Centre

The LED Section was approached by the abovementioned training centre for assistance with training initiatives. They are already accredited by the Department of Labour and need assistance with expanding their training initiatives and programmes to ensure entry of their trainees into the job market. A feasibility study into the project is currently underway and it is possible that the facilitation of partnerships between the training centre and employment agencies can form part of the assistance. They also requested assistance with the development of marketing brochures.

Chemical Engineering Project

This Project is currently being evaluated for viability and funding options.

Thembalethu Farming Project

Farming project for 29 farmers from Thembalethu currently being investigated.

Furniture / wood Manufacturing

Assistance with marketing and evaluation for two furniture / wood manufacturing SMME's.

"Spanhout" Project

Research on project currently being conducted.

Men on the Side of the Road

Land was provided by Council to utilise as office space and a gathering place for unemployed workers. Equipment was financed from LED funds during the last quarter of the financial year.

Winnie Madikizela-Mandela Home for the Aged

Furniture and computer equipment were donated to this new centre in Thembalethu.

Masakhane Container Mall

An item submitted directly to the Executive Mayor ensured approval of the lease of the land to the current occupants of this property. Funding for the store owners were also approved, on condition that they apply for it in the prescribed manner.

Advertisements for objections are currently awaited from another section before the project can proceed, but temporary arrangements were put in place by the

LED Section to supply the centre with running water and to repair at least three toilets.

Quotations for the upgrading of this container mall were invited unsuccessfully on two occasions and a decision in this regard will be made in the new financial year as funds were budgeted for this project on the capital budget.

Sikhula Agri Training Project

This farming/vegetable produce project includes approximately 30 women. Land was secured and funding approved from the LED budget for the training of the women, continuous mentorship and the purchasing of material and equipment.

2010

The LED Section actively participates in planning processes and steering committees relating to the possible hosting of a team/teams during the 2010 World Soccer Cup.

District Communication Forum

The Head: LED formed part of the team drafting the district communication plan and will attend the launch of this forum in July 2007.

Other Projects

A total number of 475 entrepreneurs/emerging businesses were interviewed by the LED Section and assistance was provided with, inter alia, the following: development of marketing catalogues, possible mentorship programmes (wood manufacturing), referrals to SCBC and other spheres of government for business services (tendering, business plans, access to funding, etc.), project evaluations and feasibility studies. A total of 103 jobs were directly created through LED initiatives and interventions and just over 200 indirect job opportunities were indirectly secured. These figures include both temporary and permanent job opportunities.

CONCLUSION

Although many misconceptions still exist around both the purpose and the practical implementation of LED within local authorities, this section received wide support from both the political and administrative bodies of Council. Fruitful relationships with major private sector stakeholders were established and the section is looking forward to building on these in future.


GEORGE











ANNUAL FINANCIAL STATEMENTS

30 JUNE 2007



MUNISIPALITEIT
MUNICIPALITY
U–MASIPALA

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COUNCILLORS OF THE GEORGE LOCAL MUNICIPALITY
AS AT 30 JUNE 2007

EXECUTIVE MAYOR	ALDERMAN B PETRUS
EXECUTIVE DEPUTY MAYOR	COUNCILLOR P H DE SWARDT
SPEAKER	COUNCILLOR EJ VON BRANDIS

WARD		COUNCILLOR / ALDERMAN
1	-	AC LAWS
2	-	C NEETHLING
3	-	CW POTGIETER
4	-	RA KRUGER
5	-	ML RUITERS
6	-	AT JANTJIES
7	-	F Z NTOZINI
8	-	E MEYER
9	-	T TEYISI
10	-	JS THANDA
11	-	NF KAMTE
12	-	FS GUGA
13	-	CT WILLIAMS
14	-	HJ JONES
15	-	C M REMAS
16	-	RW LONDT
17	-	D MARITZ
18	-	SJ BEZUIDENHOUT
19	-	EJ VON BRANDIS
20	-	MJ MBUZWANA

PROPORTIONALLY ELECTED COUNCILLORS

JST ALBERTS	PS LEHOLO
AA ARRIES	J NCAMAZANA
JJ MULLER	M MTILA
PH DE SWARDT	B PETRUS
M DRAGHOENDER	J PRETORIUS
PJL GROBLER	ML RABINOWITZ
IA HADLEY	PJ VAN DER HOVEN
PB KOMANI	AJ VAN ZYL
NA BITYI	W WITBOOI
BM CORNELIUS	

COUNCILLORS OF THE GEORGE LOCAL MUNICIPALITY

GENERAL INFORMATION AS AT 30 JUNE 2007

EXECUTIVE MAYOR-IN-COMMITTEE

Executive Mayor
Alderman Bazil Petrus
P H de Swardt
Deputy Executive Mayor
M Draghoender
P J L Grobler
J S T Alberts
C M Remas
A Arries
S J Bezuidenhout

FINANCE AND HUMAN RESOURCES COMMITTEE

Chairperson J S T Alberts
Deputy Chairperson P H de Swardt
A A Arries
M Draghoender
D Maritz
R W Londt
M L Rabinowitz
C T Williams

ADMINISTRATION AND SOCIAL SERVICES COMMITTEE

Chairperson: M Draghoender
Deputy Chairperson: C M Remas
B M Cornelius
A C Laws
C W Potgieter
A J van Zyl
F Guga
S Thanda

TECHNICAL SERVICES COMMITTEE

Chairperson: P H de Swardt
Deputy Chairperson: C M Remas
A T Jantjies
C Neethling
M L Ruiters
W Witbooi
C T Williams
J J Muller

HOUSING AND LAND AFFAIRS COMMITTEE

Chairperson: A A Arries
Deputy Chairperson: R A Kruger
D Maritz
A A Arries
H J Jones
E Meyer
M Mtila
J Pretorius

LABOUR FORUM

A A Arries
M L Ruiters
A T Jantjies
M Draghoender
C Neethling
P S Leholo
T Teyisi

Municipal Manager
Director: Human Resources
Director: Management and Administration

TRAINING COMMITTEE

A A Arries
M Draghoender
R A Kruger
F Guga
P Komani

URBAN RENEWAL COMMITTEE

Chairperson: P H de Swardt
J J Muller
PJL Grobler
H Jones
I V Hadley
N Ntozini

COUNCILLORS OF THE GEORGE LOCAL MUNICIPALITY

GENERAL INFORMATION AS AT 30 JUNE 2007

EMPLOYMENT EQUITY CONSULTATION FORUM

Chairperson: A A Arries
M Draghoender
C Neethling
A T Jantjies
S J Bezuidenhout
N Bityi
N Kamte
R W Londt
M L Ruiters

Municipal Manager
Director: Human Resources

LANGUAGE POLICY COMMITTEE

Chairperson: P H de Swardt
B M Cornelius
A T Jantjies
P J L Grobler
P S Leholo
I V Hadley

SISTER CITY

A A Arries
M Draghoender
D Maritz
T Teyisi
S Thanda
A J van Zyl

SPECIAL PROJECTS

Chairperson: M Draghoender
B M Cornelius
E Meyer
C M Remas
J Ncamazana
C T Williams

ENVIRONMENTAL SERVICE COMMITTE

Chairperson: P J L Grobler
P H de Swardt
J J Muller
H J Jones
E Meyer
A T Jantjies
I V Hadley
J Pretorius

COUNCILLOR FOR SPORT

Councillors: P J L Grobler

HOMAGE COMMITTEE

Chairperson: P H de Swardt :
B M Cornelius
C M Remas
E Meyer
N Kamte
Julia Ncamazana

COUNCILLOR FOR YOUTH

D Maritz

VOLUNTARY RETIREMENT PACKAGES

M Draghoender
JST Alberts
AA Arries
J Mbuzwana

CODE OF CONDUCT FOR COUNCILLORS COMMITTEE

Chairperson: P H de Swardt
J S T Alberts
P S Leholo
E Meyer
C T Williams

NB The secunde for DA-alliance members is Councillor D Maritz and the secunde for ANC members is Councillor M Mtila

COUNCILLORS OF THE GEORGE LOCAL MUNICIPALITY

GENERAL INFORMATION AS AT 30 JUNE 2007

SAFETY AND SECURITY COMMITTEE

Chairperson: SJ Bezuidenhout
AJ van Zyl
D Maritz
AJ Jantjies
A A Arries
RA Kruger
P J van der Hoven
N Ntozini

DEMARCATION COMMITTEE

Chairperson: C Neethling
R W Londt
JJ Muller
ML Rabinowitz
M Mtila

GEORGE LOCAL MUNICIPALITY
GENERAL INFORMATION

AS AT 30 JUNE 2007

GRADING OF LOCAL AUTHORITY

GRADE 4

AUDITORS

Auditor-General

BANKERS

ABSA Bank

P O Box 326, George, 6530

REGISTERED OFFICE

Civic Centre	P O Box 19	Telephone	044 801 9111
York Street	George	Fax	044 873 3776
George	6530	E-mail:	lhfourie@george.org.za

DIRECTOR : FINANCIAL SERVICES

L H FOURIE

Registered Municipal Accountant B.COM; AIMFO

MUNICIPAL MANAGER

CM AFRICA

M PHILL, HOUSING DEVELOPMENT AND MANAGEMENT

GEORGE LOCAL MUNICIPALITY

VOORWOORD DEUR DIE UITVOERENDE BURGEMEESTER, RAADSHEER BAZIL PETRUS

PREFACE BY THE EXECUTIVE MAYOR ALDERMAN BAZIL PETRUS



Die finansiële state van die munisipaliteit is nie net ’n dokument vol syfers en rekenkundige inligting nie. Dit is die eindproduk van ’n proses wat begin het met die identifisering van inwoners se menslike behoeftes, soos skoon water of ’n veilige verkeersvloei. Hierdie behoeftes is vertolk in ’n GOP en ’n begroting. Die belangrikste fase in hierdie proses was die uitvoering van planne om die welstand van die inwoners van George te verbeter.

The financial statements of the municipality is not just a document containing pages of figures and financial information. It is the culmination of a process which started with the identification of human needs of residents, be it clean water or a safe flow of traffic. These needs were transferred into an IDP and a budget. The most important stage of this process was the execution of the plans to improve the well-being of the residents of George.

Dit is daarom ’n eer en voorreg om die finansiële state van die 2006/2007 finansiële jaar voor te lê. Dit is ’n rekord van die prestasies van die munisipaliteit gedurende die afgelope jaar. Ek is trots daarop dat ek deel daarvan kon wees.

It is therefore an honour and privilege to present the financial statements of the 2006/2007 financial year. It is a record of the achievements of the municipality for the year under review. I am proud to have been part of these achievements.

Baie dankie aan elke personeellid, elke lid van die gemeenskap en elke raadslid wat ’n bydrae tot hierdie prestasies gelewer het.

Thank you very much for every staff member, every community member and every councillor who contributed to these achievements.

GEORGE LOCAL MUNICIPALITY

OPSOMMING VAN FINASIËLE RESULTATE 2006/2007

Die finansiële resultate van die afgelope jaar kan soos volg opgesom word:

SUMMARY OF FINANCIAL RESULTS 2006/2007

The financial results of the year under review can be summarised as follows:

	Inkomste/ Income R	Uitgawe/ Expenditure R	Surplus (tekort) (deficit) R
Begroting / Budget 2006/2007	509 649 981	509 458 459	191 522
Wysigings / Amendments	(5 735 999)	(5 720 775)	(15 224)
Gewysigde Begroting/ Amended Budget	503 913 982	503 737 684	176 298
Werklik / Actual 2006/2007	574 134 357	482 926 756	91 207 601
	70 220 375	**20 810 928**	**91 031 303**

Die resultate van die kapitaal begroting is soos volg:

The result achieved on the capital budget is as follows:

Begrote uitgawe 2006/2007 / Budgeted expenditure	R 229 611 998
Wysigings goedgekeur 2006/2007 / Amendments approved	(R 7 163 365)
	R 222 448 633
Werklike uitgawes 2006/2007 /Actual expenditure	R 203 616 600
Netto Resultaat / Nett Result :	**R 18 832 033**

Omvattende kommentare sal in die jaarverslag ingesluit word.

Comprehensive comments will be included in the annual report.

My hartlike dank aan die Burgemeesterskomitee, Raadslede, die Munisipale Bestuurder, Direkteure en Personeel vir hul ondersteuning en harde werk gedurende die afgelope jaar.

I would like to express my appreciation to the Mayoral Committee, Councillors, Municipal Manager, Directors and Personnel for their support and hard work during the past financial year.

RAADSHEER BAZIL PETRUS
UITVOERENDE BURGEMEESTER

ALDERMAN BAZIL PETRUS
EXECUTIVE MAYOR

GEORGE LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2007

	Note	2007 R	2006 R
NET ASSETS AND LIABILITIES			
Net assets		**648,023,592**	**555,299,657**
Housing Development Fund	1	61,588,891	64,675,692
Capital replacement reserve	2	91,531,817	56,150,592
Capitalisation reserve	2	95,650,568	106,504,644
Government grant reserve	2	128,962,021	88,777,522
Donations and public contribution reserves	2	4,329,820	2,987,786
Accumulated Surplus/(Deficit)		265,960,475	236,203,422
Non-current liabilities		**225,627,487**	**139,332,944**
Long-term liabilities	3	225,627,487	139,332,944
Non-current provisions	4	0	0
Current liabilities		**131,639,345**	**92,768,522**
Consumer deposits	5	8,676,783	8,100,233
Provisions	6	586,197	1,563,608
Creditors	7	81,457,182	50,219,020
Unspent conditional grants and receipts	8	30,017,165	21,220,866
Current portion of long-term liabilities	3	10,902,018	11,664,795
Total Net Assets and Liabilities		**R 1,005,290,424**	**R 787,401,123**
ASSETS			
Non-current assets		**609,192,119**	**457,296,404**
Property, plant and equipment	10	605,722,253	432,270,715
Intangible Assets	32	1,157,061	1,127,119
Long-term Debtors	12	2,312,805	23,898,570
Current assets		**396,098,306**	**330,104,719**
Investments	11	18,079,515	15,956,587
Inventory	13	9,262,131	6,362,636
Consumer debtors	14	29,454,992	26,025,593
Other debtors	15	23,390,818	28,182,730
Current portion of long-term debtors	12	5,658,625	2,637,934
VAT - receivable from SARS	9	8,528,303	2,358,856
Bank,Cash and Cash Equivalents	16	301,723,922	248,580,383
Total Assets		**R 1,005,290,424**	**R 787,401,123**

GEORGE LOCAL MUNICIPALITY

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2007

	Note	Actual 2007 R	Actual 2006 R
REVENUE			
Property rates	17	106,885,341	96,448,081
Property rates - penalties imposed and collection charges		2,840,983	2,927,687
Service charges	18	285,993,661	253,397,852
Rental of facilities and equipment		2,110,543	2,137,060
Interest earned - external investments		30,732,121	19,723,708
Interest earned - outstanding debtors		3,368,217	2,827,192
Fines		6,367,663	9,443,885
Licences and permits		2,327,128	2,120,720
Income for agency services		5,381,712	4,373,474
Government grants and subsidies Received - Operating	19	57,110,089	44,257,575
Government grants and subsidies Received - Capital	19	46,855,095	18,492,277
Other income	33	50,458,620	38,267,578
Gains on disposal of property, plant and equipment		287,598	1,795,290
Less: Revenue Foregone	17	(26,584,411)	(24,291,562)
Total Revenue		**R 574,134,357**	**R 471,920,816**
EXPENDITURE			
Employee related costs and Social contribution	20	134,520,117	110,467,605
Remuneration of Councillors	21	8,390,559	5,070,236
Bad debts	45	22,958,121	13,688,794
Collection costs		3,843,238	3,729,682
Depreciation and amortisation	44	31,185,558	25,862,991
Repairs and maintenance		53,573,187	46,145,153
Interest paid	22	14,501,649	10,159,811
Bulk purchases	23	80,813,538	70,429,849
Contracted services		32,933,080	28,352,058
Grants and subsidies paid	24	27,047,643	25,301,844
General expenses	43	104,547,648	76,550,245
Loss on disposal of property, plant and equipment		2,738	71,272
Interest internal Borrowings		4,603,460	2,839,870
Contributions To/From Provision		0	1,020,000
Internal charges	34	40,315,237	33,503,108
Gross Expenditure		**R 559,235,773**	**R 453,192,518**
Less: Amounts Charged out		**76,309,017**	**69,420,835**
Nett Expenditure		**R 482,926,756**	**R 383,771,684**
Share of surplus/(deficit) of associate accounted for under the equity method		**0**	**0**
SURPLUS/(DEFICIT) FOR THE YEAR		**R 91,207,601**	**R 88,149,133**

Refer to Appendix E(1) for the comparison with the approved Budget

GEORGE LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2007

	Housing Development Fund	Capital Replacement Reserve	Capitalisation Reserve	Government Grant Reserve	Donations and Public Contribution Reserve	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R	R	R	R
2006							
Balance at 1 July 2005	60,831,859	50,426,208	118,140,322	76,188,022	3,090,812	156,822,183	465,499,406
Correction of prior period error (note 36)	0	0	0	0	0	501,688	501,688
	0	0	0	0	0	2,510,115	2,510,115
Restated balance	**60,831,859**	**50,426,208**	**118,140,322**	**76,188,022**	**3,090,812**	**159,833,986**	**468,511,209**
Surplus/(deficit) for the year						88,149,133	88,149,133
Adjustment of Investments (Note 36 (ii))						(1,360,685)	(1,360,685)
Transfer to CRR		43,710,072				(43,710,072)	0
Property, plant and equipment purchased		(37,985,687)				37,985,687	0
Capital grants used to purchase PPE				18,492,277		(18,492,277)	0
Transfer to Housing Development Fund	3,843,833					(3,843,833)	0
Offsetting of depreciation			(11,635,678)	(5,902,778)	(103,026)	17,641,483	0
Balance at 30 June 2006	**64,675,692**	**56,150,592**	**106,504,644**	**88,777,521**	**2,987,786**	**236,203,422**	**555,299,657**
2007							
Balance at 1 July 2006	**64,675,692**	**56,150,592**	**106,504,644**	**88,777,521**	**2,987,786**	**236,203,422**	**555,299,657**
Surplus/(deficit) for the year						91,207,601	91,207,601
Transfer to CRR		96,365,168				(96,365,168)	0
Property, plant and equipment purchased		(60,983,943)				60,983,943	0
Capital grants used to purchase PPE				46,855,095		(46,855,095)	0
Donated/contributed PPE					1,516,333		1,516,333
Transfer to/fromHousing Development Fund	(3,086,801)					3,086,801	0
Offsetting of depreciation			(10,854,076)	(6,670,594)	(174,299)	17,698,970	(0)
Balance at 30 June 2007	**61,588,891**	**91,531,818**	**95,650,568**	**128,962,022**	**4,329,820**	**265,960,474**	**648,023,591**

GEORGE LOCAL MUNICIPALITY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 R	2006 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers, government and other		652,279,279	540,750,882
Cash paid to suppliers and employees		(518,404,629)	(422,011,897)
Cash generated from (utilised in) operations	25	133,874,650	118,738,985
Dividends received		0	0
Interest received		34,100,338	22,550,900
Interest paid	22	(14,501,649)	(10,159,811)
NET CASH FLOW FROM/(USED IN) OPERATING ACTIVITIES		**R 153,473,339**	**R 131,130,074**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10.3	(202,675,852)	(141,005,880)
Proceeds on disposal of property, plant and equipment		306,076	1,931,127
Payments for intangible assets	32	(510,486)	(1,466,224)
Increase in investment properties		0	0
(Increase)/decrease in non-current receivables	12	18,565,074	6,578,354
Increase in current investments	36	0	0
Increase in non-current investments	11	(2,122,928)	(8,269,006)
Decrease in call investment deposits		0	0
NET CASH FLOW FROM/(USED IN) INVESTING ACTIVITIES		**(R 186,438,116)**	**(R 142,231,628)**
CASH FLOWS FROM FINANCING ACTIVITIES			
New loans raised	3	86,294,543	71,800,750
Increase in consumer deposits	5	576,550	1,868,924
(Decrease)/increase in short-term loans	3	(762,777)	(1,315,859)
NET CASH FLOW FROM/(USED IN) FINANCING ACTIVITIES		**R 86,108,316**	**R 72,353,815**
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		**R 53,143,539**	**R 61,252,261**
Cash and cash equivalents at the beginning of the year	26 + 36	248,580,383	187,328,122
Cash and cash equivalents at the end of the year	26	301,723,922	248,580,383

GEORGE LOCAL MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

1. BASIS OF PREPARATION

1.1 Annual Financial Statements

The annual financial statements are prepared on an accrual basis of accounting and are in accordance with historical cost convention.

These annual financial statements have been prepared in accordance with the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) and Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005.

These standards are summarized as follows:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GAMAP 4	The Effects of Changes in Foreign Exchange Rates
GAMAP 6	Consolidated financial statements and accounting for controlled entities
GAMAP 7	Accounting for Investments in Associates
GAMAP 8	Financial Reporting of Interests in Joint Ventures
GAMAP 9	Revenue
GAMAP 12	Inventories
GAMAP 17	Property, Plant and Equipment
GAMAP 19	Provisions, Contingent Liabilities and Contingent Asset
GAMAP 6, 7 and 8 have been complied with to the extent that the requirements in these standards relate to the municipality's separate financial statements.	

Accounting policies for material transactions, events or conditions not covered by the above GRAP and or GAMAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SA GAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The Minister of Finance has, in terms of General Notice 552 of 2007 exempted compliance with certain of the above mentioned standards and aspects or parts of these standards. Details of the exemptions applicable to the municipality are set out in Appendix J to the annual financial statements and have been provided in the notes to the annual financial statements.

Compliance with aspects or parts of the standards which had been exempted by the Minister of Finance in terms of General Notice 552 of 2007, which are not specifically included in the accounting policies which follows (and/or which relate to the annual financial statements as a whole), are the following:

- Changes in accounting policies (GRAP 3.14, 19)

The progress made towards achieving full compliance with the standards referred to in section 122(3) of the MFMA is measured against the municipality's implementation plan, as set out in Appendix J to the annual financial statements. This appendix also includes an explanation of the extent to which the information in the annual financial statements would need to be adjusted for full compliance with these standards.

Apart from those issues involving estimates, management has made no judgments in the process of applying the accounting policies which would give a significant effect on the amounts of items recognized in the financial statements.

A summary of the significant accounting policies adopted in the preparation of these annual financial statements, which have been consistently applied except where an exemption has been granted are disclosed below.

1.2 Consolidated Financial Statements

The consolidated annual financial statements incorporate the financial statements of the municipality and its municipal entities, which the municipality owns or over which the municipality has the power to exercise beneficial control over the financial and operating policies.

On acquisition, the assets and liabilities of the entities are recognised at fair value. The interests of minorities are stated at the fair values of the assets and liabilities recognised.

The results of the entities acquired and disposed of are, respectively, included from the effective dates of acquisition, and to the effective dates of disposal. These results are processed to revenue or expensed in the Statement of Financial Performance.

To the extent that the assets and liabilities of entities are re-valued, the revaluation is taken directly to net assets in the Statement of Changes in Net Assets.

Where necessary, adjustments to the annual financial statements of the municipal entities are made to bring the accounting policies used into line with those used by the municipality.

Inter group transactions and balances, and any unrealised gains or losses arising from inter group transactions, are eliminated on consolidation.

The accounting method used to account for the controlled entities in the separate annual financial statements of the municipality is disclosed in accounting policy note 10.2 below.

Consolidated annual financial statements had not been compiled for the current financial year due to the exemption granted, in terms of General Notice 552 of 2007, from complying with section 122(2) of the MFMA. In accordance with this General Notice, Appendix K to the annual financial statements includes the annual financial statements of each of the municipality's entities. This accounting policy is in accordance with the exemptions stated in the above-mentioned General notice.

1.3 Offsetting

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GAMAP or GRAP.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund.

Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.
Interest earned on investments backing up this fund is recorded as interest earned in the Statement of Financial Performance.

The following provisions are set for the utilisation of the Housing Development Fund:

- The fund is utilised for housing developments in accordance with the national housing policy and also for housing development projects approved by the MEC for housing.
- Any contributions to or from the fund are shown as transfers in the Statement of Changes in Net Assets.

5. RESERVES

The municipality creates and maintains Funds and Reserves in terms of specific requirements.

5.1. Capital Replacement Reserve (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the net surplus of the year or the accumulated surplus to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or investment account. The cash in the designated CRR bank account can only be utilised to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus / (deficit) is credited by a corresponding amount when the amounts in the CRR are utilised. The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan, subject to affordability in the budget process.

Interest earned on the CRR investment is recorded as interest earned in the Statement of Financial Performance where after such interest may be transferred from the Accumulated Surplus to the CRR.

Profit made from the disposal of property, plant and equipment is recorded in the Statement of Financial Performance, where after such profit may be transferred from the Accumulated Surplus to the CRR.

The CRR may only be utilised for the purpose of purchasing / construction of items of property, plant and equipment and may not be used for the maintenance of these items.

5.2. Capitalisation Reserve (CR)

On the implementation of GAMAP, the balances on certain legislated funds that had historically been utilised for the acquisition of items of property , plant and equipment have been transferred to a Capitalisation Reserve instead of the accumulated surplus/(deficit) in terms of a directive issued by National Treasury. The purpose of this reserve is to promote consumer equity.

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to accumulated surplus / (deficit).

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus / (deficit).

The purpose of this reserve is to promote consumer equity by ensuring that the future depreciation charge that will be incurred over the useful lives of these items of property, plant and equipment is offset by transfers from this reserve to the accumulated surplus / (deficit).

5.3. Government Grant Reserve and the Public Contributions and Donations Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus/(deficit) to the Government Grant Reserve equal to the government grant recorded as revenue in the statement of Financial Performance in accordance with a directive issued by National Treasury. When such items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus / (deficit).The purpose of this policy is to promote community equity and facilitate budgetary control by ensuring that sufficient funds are set aside to offset the depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from Government Grants

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus / (deficit).

When items of property, plant and equipment are financed from donations or public contributions, the same accounting policy relating to the Government Grant Reserve is applied. A separate reserve is created to separately identify items of property, plant and equipment financed from Public Contributions and Donations in terms of a directive issued by National Treasury.

6. PROPERTY, PLANT AND EQUIPMENT (PPE)

6.1 Property, plant and equipment assets are stated:

- At cost, less accumulated depreciation and accumulated impairment losses, except land which is stated at cost. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an infinite life.

- At fair value at date of acquisition less accumulated depreciation and accumulated impairment losses where assets have been acquired by grant or donation.

6.2 The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets was measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

6.3 Assets are capitalised in terms of the approved asset management policy

6.4 Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery of the asset are enhanced in excess of the originally assessed standard of performance. If expenditure only restores the originally assessed standard of performance, thus it is regarded as repairs and maintenance and is expensed. The enhancement of an existing asset so that its use is expanded or the further development of an asset so that its original life is extended, are examples of subsequent expenditure which should be capitalised.

6.5 Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The estimated useful lives and the depreciation methods was not reviewed in the previous and current financial years as it is required by GAMAP 17, as these requirements have been exempted in terms of General notice 552 of 2007. This accounting policy is in accordance with the exemptions stated in the above-mentioned General notice.

Depreciation only commences when the asset is brought into use.

The annual depreciation rates are based on the following estimated asset lives:-

FIXED ASSET LIVES

Description	Asset Life In Years	Group	Sub-asset Type	Asset Type
INFRASTRUCTURE ASSETS		***A***		
ELECTRICITY		A	ELEC	
Power stations	30	A	ELEC	POWST
Cooling towers	30	A	ELEC	COOLT
Transformer kiosks	30	A	ELEC	TRAKS
Meters	20	A	ELEC	METE
Load control equipment	20	A	ELEC	LOADC
Switchgear equipment	20	A	ELEC	SWGR
Supply/reticulation	20	A	ELEC	SUPRE
Mains	20	A	ELEC	MAINE
ROADS		A	ROADS	
Motorways	15	A	ROADS	MOTWY
Other roads	10	A	ROADS	ROADS
Traffic islands	10	A	ROADS	TRISL
Traffic lights	20	A	ROADS	TRLIT
Street lighting	25	A	ROADS	STLIT
Overhead bridges	30	A	ROADS	OVBRD
Stormwater drains	20	A	ROADS	SWDRN
Bridges, subways & culverts	30	A	ROADS	BRIDG
Car parks	20	A	ROADS	CPARK
Bus terminals	20	A	ROADS	BTERM
Street names & traffic signs	20	A	ROADS	TSIGN
WATER		A	WATER	
Meters	15	A	WATER	METW
Mains	20	A	WATER	MAINW
Rights	20	A	WATER	RIGHT
Supply/reticulation	20	A	WATER	SUPRW
Reservoirs & tanks	20	A	WATER	TANKW
Pump stations	20	A	WATER	PUMPW
GAS		A	GAS	
Meters	20	A	GAS	METG
Mains	20	A	GAS	MAING
Storage tanks	20	A	GAS	TANKG
Supply/reticulation	20	A	GAS	SUPRG

Description	Asset Life In Years	Group	Sub-asset Type	Asset Type
SEWERAGE		A	SEWER	
Sewers	20	A	SEWER	SEWER
Outfall sewers	20	A	SEWER	OUTFL
Purification works	20	A	SEWER	PURWK
Sewerage pumps	15	A	SEWER	SPUMP
Sludge machines	15	A	SEWER	SLDMC
PEDESTRIAN MALLS:		A	PEDES	
Footways	20	A	PEDES	FOOTW
Kerbing	20	A	PEDES	KERB
Paving	20	A	PEDES	PAVE
AIRPORTS		A	AIRPT	
Aprons	20	A	AIRPT	APRON
Runways	20	A	AIRPT	RUNWY
Taxiways	20	A	AIRPT	TAXIW
Airports/radio beacons	20	A	AIRPT	RADBN
SECURITY MEASURES		A	SECM	
Fencing	3	A	SECM	FENCE
Security systems	5	A	SECM	SECUR
Access control	5	A	SECM	ACCES
COMMUNITY ASSETS		***B***		
BUILDINGS		B	BLDC	
Ambulance stations	30	B	BLDC	AMBST
Aquariums	30	B	BLDC	AQUAM
Beach developments	30	B	BLDC	BEACH
Care centres	30	B	BLDC	CAREC
Cemeteries ####	30	B	BLDC	CEMET
Civic theatres	30	B	BLDC	THEAT
Clinics/hospitals	30	B	BLDC	HOSP
Community centres	30	B	BLDC	COMC
Fire stations	30	B	BLDC	FIRES
Game reserves/rest camps	30	B	BLDC	GAMER
Indoor sports	30	B	BLDC	INSPT
Libraries	30	B	BLDC	LIBR
Museum/art galleries	30	B	BLDC	MUSE
Parks	30	B	BLDC	PARKS
Public conveniences/bathhouses	30	B	BLDC	PUBCN
Recreation centres	30	B	BLDC	RECRC
Stadiums	30	B	BLDC	STADM
Zoos	30	B	BLDC	ZOOS
Churches	30	B	BLDC	CHURC
Informal housing	20	B	BLDC	INFH
Monuments	30	B	BLDC	MONUM
Municipal buildings	30	B	BLDC	MUNB
Municipal houses	20	B	BLDC	MUNH
Police stations	30	B	BLDC	POLST
Post offices	30	B	BLDC	POSTO

Description	Asset Life In Years	Group	Sub-asset Type	Asset Type
RECREATIONAL FACILITIES		B	RECFC	
Bowling greens	20	B	RECFC	BOWLG
Tennis courts	20	B	RECFC	TENCT
Swimming pools	20	B	RECFC	SWIMP
Golf courses	20	B	RECFC	GOLFC
Jukskei pitches	20	B	RECFC	JUKSK
Outdoor sports facilities	20	B	RECFC	OUTSP
Organ and case	20	B	RECFC	ORGAN
Lakes and dams	20	B	RECFC	LAKES
Fountains	20	B	RECFC	FOUNT
Floodlighting	20	B	RECFC	FLDLT
Netball courts	20	B	RECFC	NETBL
OTHER ASSETS		***D***		
BUILDINGS		D	BLDO	
Abattoirs	30	D	BLDO	ABATR
Asphalt plant	30	D	BLDO	ASPH
Cable stations	30	D	BLDO	CABST
Caravan parks	30	D	BLDO	CARAP
Cinemas	30	D	BLDO	CINEM
Compacting stations	30	D	BLDO	COMPS
Hostels – public/tourist	30	D	BLDO	HOSTP
Hostels – workers	30	D	BLDO	HOSTW
Housing schemes	30	D	BLDO	HSCHM
Kilns	30	D	BLDO	KILNS
Laboratories	30	D	BLDO	LABOR
Markets	30	D	BLDO	MARKT
Nurseries	30	D	BLDO	NURSR
Office buildings	30	D	BLDO	OFBLD
Old age homes	30	D	BLDO	OLDAG
Quarries ####	30	D	BLDO	QUAR
Tip sites ####	30	D	BLDO	TIPST
Training centers	30	D	BLDO	TRNC
Transport facilities	30	D	BLDO	TRNFC
Workshops/depots	30	D	BLDO	WRKSH
Farms	30	D	BLDO	FARMS
Other land e.g. Driver's testing	30	D	BLDO	OTHLA
Vacant land	30	D	BLDO	VACLA
OFFICE EQUIPMENT		D	OFFEQ	
Computer hardware	5	D	OFFEQ	COMHW
Computer software	3-5	D	OFFEQ	COMSW
Office machines	3-5	D	OFFEQ	OFFMC
Air conditioners	5-7	D	OFFEQ	AIRCN
FURNITURE AND FITTINGS		D	FURN	
Chairs	7-10	D	FURN	CHAIR
Tables/desks	7-10	D	FURN	TABLE
Cabinets/cupboards	7-10	D	FURN	CABNT
Miscellaneous	7-10	D	FURN	MISCF

Description	Asset Life In Years	Group	Sub-asset Type	Asset Type
BINS AND CONTAINERS		D	BINS	
Household refuse bins	5	D	BINS	HHREF
Bulk containers	10	D	BINS	BULKB
EMERGENCY EQUIPMENT		D	EMERE	
Fire	15	D	EMERE	FIREE
Ambulances	15	D	EMERE	**VEH**AM
Fire hoses	5	D	EMERE	HOSEF
Emergency light	5	D	EMERE	LIGEM
MOTOR VEHICLES		D	MOTOR	
Fire engines	20	D	MOTOR	**VEH**FE
Buses	15	D	MOTOR	**VEH**BS
Motor vehicles	5-7	D	MOTOR	**VEH**
Motor cycles	3	D	MOTOR	**VEH**CY
Trucks/bakkies	5-7	D	MOTOR	**VEH**TK
AIRCRAFT		D	AIRCR	
Aircraft/balloons	15	D	AIRCR	**VEH**AC
WATERCRAFT		D	WATCR	
Watercraft/boats	15	D	WATCR	**VEH**BT
PLANT AND EQUIPMENT		D	PLANT	
Graders	10-15	D	PLANT	**VEH**GR
Tractors	10-15	D	PLANT	**VEH**TR
Mechanical horses	10-15	D	PLANT	**VEH**MH
Farm equipment	5	D	PLANT	**VEH**FR
Lawnmowers	2	D	PLANT	**VEH**LM
Compressors	5	D	PLANT	**VEH**CP
Laboratory equipment	5	D	PLANT	EQUPL
Radio equipment	5	D	PLANT	EQUPR
Firearms	5	D	PLANT	FRARM
Telecommunication equipment	5	D	PLANT	EQUPT
General	5	D	PLANT	GENPL
Cable cars	15	D	PLANT	CABCR
Irrigation systems	15	D	PLANT	IRRIG
Cremators	15	D	PLANT	CREMS
Lathes	15	D	PLANT	LATHE
Milling equipment	15	D	PLANT	EQUPM
Conveyors	15	D	PLANT	CONVY
Feeders	15	D	PLANT	FEEDR
Tippers	15	D	PLANT	TIPR
Pulverising mills	15	D	PLANT	PULV
Broom – drawn	5	D	PLANT	BRMDN
Caravan	5	D	PLANT	CARAV
Cleaner – steam	5	D	PLANT	CLNST
Compactor - landfill	5	D	PLANT	COMPL
Compactor - plate	5	D	PLANT	COMPP

Description	Asset Life In Years	Group	Sub-asset Type	Asset Type
Compactor truck - refuse	5-7	D	PLANT	VEHCT
Canopy	5	D	PLANT	CANOP
Control system – co-driver	5	D	PLANT	CONCD
Drill – concrete	5	D	PLANT	DRLC
Dumper - concrete	5	D	PLANT	VEHCD
Electrical equipment	5	D	PLANT	EQUEL
Equipment/apparatus Clinic/Hospital	5	D	PLANT	EQHOS
Equipment/ apparatus - Traffic	5	D	PLANT	EQTRF
Generator	5	D	PLANT	GENER
Hoist – refuse bins	5	D	PLANT	HSTRB
Loader – drill	5	D	PLANT	LOADD
Loader – front-end	5	D	PLANT	LOADF
Mixer – concrete	5	D	PLANT	MIXCN
Outboard motor	5	D	PLANT	OUTBR
Pumps	5	D	PLANT	PUMPS
Road maintenance equipment	10	D	PLANT	VEHRM
Roller – mechanically driven	5	D	PLANT	VEHMR
Roller – pavement	5	D	PLANT	ROLPV
Roller – water/ballast	5	D	PLANT	ROLWB
Street sweeper – mechanically driven	5	D	PLANT	VEHSS
Tools	5	D	PLANT	TOOLS
Trailers	5	D	PLANT	TRAIL
Welder	5	D	PLANT	WELD
OTHER – General				
Animals – pound	5	D	OMISC	ANIPD
HERITAGE		***C***	(any)	(any)
Buildings	-	C	BLDH	HEBLD
INVESTMENTS		***E***	(any)	(any)

Sum-of-units method of depreciation may be preferred.

6.6 Where there is an indication that an asset may be impaired, the recoverable amount of the assets is measured and the asset's value is written down from its carrying amount to its recoverable amount. The corresponding impairment loss is charged as an expense to the Statement of Financial Performance. However for the previous and current year under review, the municipality did not perform impairment testing on its assets as is required by GAMAP 17 and IAS 36 / AC128, as these requirements have been exempted in terms of General notice 552 of 2007. This accounting policy is in accordance with the exemptions stated in the above-mentioned General notice.

6.7 Assets are written off on disposal. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised as a profit or loss in the Statement of Financial Performance.

6.8 The classification, measurement and disclosure of non-current assets held for sale as required by IFRS 5.6 – 29 (in so far as it relates to non-current assets held for sale) and IFRS 5.38 – 42 had not been performed for the current or previous financial years as these requirements have been

exempted in terms of General notice 552 of 2007. This accounting policy is in accordance with the exemptions stated in the above-mentioned General notice.

6.9 The review of useful lives, the review of the depreciation method, the impairment of non-cash generating assets, and the impairment of cash generating assets have not been reviewed nor impaired for the current financial year due to the exemption granted, in terms of General Notice 552 of 2007. In accordance with this General Notice the accounting policy is in line with the exemptions stated in the above mentioned General Notice.

7. INTANGIBLE ASSETS

Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is charged on a straight-line basis over the useful lives of intangible assets, which is estimated to be 2 to 5 years. Where intangible assets are deemed to have indefinite useful lives, such intangible assets are not amortised.

Intangible assets that have indefinite useful lives are tested for impairment annually.

Where an intangible asset has been impaired, the carrying value of the intangible asset is written down to its recoverable amount. The corresponding impairment loss is charged as an expense to the Statement of Financial Performance.

The estimated useful life and amortisation method are reviewed annually at the end of the financial year. Any adjustments arising from the annual review are applied prospectively.

The entire IAS 38 / AC 129, except for the recognition, measurement and disclosure requirements of computer software and website costs (SIC 32) have been exempted in terms of General notice 552 of 2007 and had not been applied for either the prior or the current financial years. This accounting policy is in accordance with the exemptions stated in the above-mentioned General notice.

8. INVESTMENT PROPERTY

Land and/or buildings that meet the ‘investment property’ definition have in the current and prior years been accounted for in accordance with GAMAP 17. The requirements of IAS 40 / AC 135 have been exempted in terms of General notice 552 of 2007. This accounting policy is in accordance with the exemptions stated in the above-mentioned General notice.

9. INVENTORIES

Inventories consist of raw materials, work in progress, consumables and finished goods, which are valued at the lower of costs, determined on the first in first out basis, and net realisable value.

Unsold properties are valued at the lower of cost or net realisable value on a actual cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overhead costs.

Cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to its present location and condition.

Redundant, damaged and slow-moving inventories are identified and written down with regard to their estimated net realisable values. Consumables are written down with regard to their age, condition and utility.

Repaired / upgraded stock is shown at cost plus the cost of repair / upgrade.

The entire GAMAP 12, to the extent that it relates to water stock that was not purchased by the municipality, has been exempted in terms of General notice 552 of 2007. The current year accounting policy is in accordance with the exemption stated in the above-mentioned General notice.

The municipality has accounted for immovable capital assets as inventory for the previous and current year under review. This requirement has been exempted in terms of General notice 552 of 2007, but the municipality had received permission to deviate from this exemption.

10. FINANCIAL INSTRUMENTS AND INVESTMENTS

10.1 FINANCIAL INSTRUMENTS

10.1.1 Recognition and categorization

Non-derivative financial instruments comprise various types of financial instruments and these can be broadly categorised as either **financial assets** or **financial liabilities**.

A financial instrument is recognised if the municipality becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the municipality's contractual rights to the cash flows from the financial assets expire or if the municipality transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the municipality commits itself to purchase or sell the asset. Financial liabilities are derecognised if the municipality's obligations specified in the contract expire or are discharged or cancelled (IAS 32.61, 66(a)).

FINANCIAL ASSETS

A financial asset is any asset that is cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term deposits
- Short-term deposits
- Short-term deposits – EFF invested
- Short-term deposits – Grants invested
- Investments in RSA Government Stock
- Long-term debtors
- Consumer debtors
- Other debtors
- Current portion of long-term debtors
- VAT receivable
- Bank balances and cash
- Investment in municipal entities.

In accordance with IAS 39.09 the **financial assets** of the municipality are classified as follows into one of the four categories allowed by this standard:

Type of financial asset	Classification in terms of IAS 39.09
Long-term deposits	Held to maturity
Short-term deposits	Held to maturity
Short-term deposits – EFF invested	Held to maturity
Short-term deposits – Grants invested	Held to maturity
Investments in RSA Government Stock.	Held to maturity
Long-term debtors	Loans and receivables
Consumer debtors	Loans and receivables
Other debtors	Loans and receivables
VAT receivable	Loans and receivables
Current portion of long-term debtors	Loans and receivables
Bank balances and cash	Available for sale
Investment in municipal entities	Available for sale

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the municipality's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. (IAS 7.46)

FINANCIAL LIABILITIES

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Local registered stock loans
- Annuity loans
- Other loans
- Creditors
- Consumer deposits
- Unspent conditional grants and receipts
- Current portion of long term liabilities

There are two main categories of **financial liabilities**, classified based on how they are measured. Financial liabilities may be measured at:

- Fair value through profit or loss; or
- Not at fair value through profit or loss ('other financial liabilities')

Financial liabilities that are measured at fair value through profit or loss are financial liabilities that are essentially held for trading (i.e. purchased with the intention to sell or repurchase in the short term; derivatives other than hedging instruments or are part of a portfolio of financial instruments where there is recent actual evidence of short-term profiteering or are derivatives).

Any other financial liabilities are classified as financial liabilities that are not measured at fair value through profit or loss.

In accordance with IAS 39.09 the **financial liabilities** of the municipality are classified only as financial liabilities that are not measured at fair value through profit or loss because none of the following instruments are held for trading.

Type of financial liability	Classification in terms of IAS 39.09
Financial liabilities	
Long-term liabilities (Current & non-current)	Financial liability that is not measured at fair value through profit or loss
Consumer deposits	Financial liability that is not measured at fair value through profit or loss
Creditors	Financial liability that is not measured at fair value through profit or loss
Unspent conditional grants	Financial liability that is not measured at fair value through profit or loss

Creditors are stated at their nominal value.

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Finance expense comprises interest expense on borrowings. All borrowing costs are recognised in profit or loss using the effective interest method. (IAS 32.66(c))

The initial measurement of the financial assets and financial liabilities at fair value have not been revalued for the current financial year due to the exemption granted, in terms of General Notice 552 of 2007. In accordance with this General Notice the accounting policy is in line with the exemptions stated in the above mentioned General Notice.

10.1.2 Measurement

Financial Instruments are recognised and measured at cost in the current and prior financial years. The requirement of IAS 39.43, AG 64, AG 65, AG 79 and SAICA Circular 09/2006, that financial instruments should initially be measured at fair value, have been exempted in terms of General notice 552 of 2007. This accounting policy is in accordance with the exemptions stated in the above-mentioned General notice.

Financial assets:
Held to maturity investments and loans and receivables are initially measured at cost, which represents its fair value and subsequently measured at amortised cost. Financial assets at fair value and available for sale financial assets are initially and subsequently measured at fair value with the

profit or loss being recognised in the Statement of Financial Performance (except for the above-mentioned exempted financial years).

Financial liabilities:
Financial liabilities that are not held for trading are measured at amortised cost using the effective interest rate method.

10.1.3 Impairment of financial assets: debtors

Consumer debtors, long-term debtors and other debtors are stated at its anticipated realisable value, thus its cost less an estimated provision for bad debts. The provision is made on an individual basis or group of all outstanding amounts at year-end, based on expected cash flows.

At each balance sheet date an assessment is made of whether there is any objective evidence of impairment of financial assets. If there is evidence then the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39 as an expense in the Statement of Financial Performance.

Separate classes of loans and receivables were assessed for impairment using the following methodologies:

Consumer debtors

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed collectively after grouping the assets in financial assets with similar credit risks characteristics.

According to IAS 39.64, the assessment for impairment needs to be made for each individual financial asset separately or for groups of financial assets with similar credit risks. George municipality has +/- 34,000 consumer debtors and management is of the opinion that it is impracticable to assess every consumer debtor individually. The following methodology was followed to make a provision for bad debts for the year under review:

- Management decided to review the consumer debtors individually (considering factors as payment histories and ratios, qualitative factors e.g. correspondence from attorneys, disputes about certain accounts, etc. Consumer debt (i.e. the total was grouped together into groups of financial assets with similar credit risk): Government, Business and Households.

- No provision for bad debts was made for Government debtors because theoretically there should be no risk of non recovery.

- Businesses were reviewed individually for impairment and a payment ratio was determined for this group.

- Household debts are individually assessed by Council Credit Control and Debt Collection Agency to determine the risk of non-recovery. Their reports on individual house-holds capabilities to pay outstanding debts are used to provide for bad debts.

Other Debtors

- ***Other Debtors are reviewed individually considering payment histories and disputes about certain amounts. Provision for bad debts is made accordingly.***

Long-term debtors

Housing Loans

- ***The loans in this group are assessed by reviewing their payment histories and ratios. Provision for bad debts is made accordingly.***

Actaris Meter Debts

- ***It is envisaged that Council will decide to write these debts of poor and indigent house-holds off during the following financial period. This amount is provided for in full.***

Other Long-Term Debtors

- ***No provision for bad debts is made for Other Long-Term Debtors, because it is envisaged that these debts will be fully recovered.***

10.1.4 Impairment of financial assets: other financial assets

The municipality also assess at the Statement of Financial Position date whether there is objective evidence that any of its financial assets, other than the debtors mentioned above, is impaired, in accordance with IAS 39.58 - .70.

10.1.5 Disposal of investments

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

10.2 INVESTMENT IN MUNICIPAL ENTITIES

Municipal controlled entities are those entities which the municipality owns or over whose financial and operating policies it has the power to exercise beneficial control.

The municipality accounts for these entities as investments in terms of GAMAP 6 and IAS 39.

Consolidated annual financial statements had not been compiled for the current financial year due to the exemption granted, in terms of General Notice 552 of 2007, from complying with section 122(2) of the MFMA. In accordance with this General Notice, Appendix K to the annual financial statements includes the annual financial statements of each of the municipality's entities. This accounting policy is in accordance with the exemptions stated in the above-mentioned General notice.

The investments in municipal entities have not been accounted for in the current financial year due to the exemption granted, in terms of General Notice 552 of 2007. In accordance with this General Notice the accounting policy is in line with the exemptions stated in the above mentioned General Notice.

11. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

Credit Risk

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral is specified.

Liquidity Risk

- A maturity analysis for financial assets and liabilities that shows the remaining contractual maturities.
- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining contractual maturities is disclosed in Appendix A to the annual financial statements.

The entire IFRS 7 / IAS 144 has been exempted in terms of General notice 552 of 2007. However, according to the afore-mentioned General notice, this standard is to be replaced by IAS 32/ (AC 125) issued August 2006 and effective for financial statements covering periods beginning on or after 1 January 1998. Thus the old IAS 32/ (AC 125) is still applicable. The requirements of the latter standard have been applied for both the previous and current financial years. This accounting policy is in accordance with the exemptions stated in the above-mentioned General notice.

12. REVENUE RECOGNITION

Revenue is the gross inflows of economic benefits or service potential during the reporting period when those inflows result in increases in net assets, other than increases relating to contributions from owners. Revenue for the current and prior financial year was initially recognised at cost. The requirement of GAMAP 9.12 and SAICA Circular 09/2006 that the initial measurement of revenue be recognised at fair value through discounting all future receipts using an imputed rate of return have been exempted in terms of General notice 552 of 2007. This accounting policy is in accordance with the exemptions stated in the above-mentioned General notice.

In terms of GAMAP 9, only probable revenues should be recognized in the annual financial statements of the municipality. In order to comply with this requirement, the municipality adjusts service revenues by estimating the amount of probable revenues as follows:

- Payment ratios for all the various service revenues are calculated by comparing amounts recovered for services rendered in relation to service billings for these various services;
- For the above-mentioned payment ratios that are below 100%, an adjustment is made to the various amounts of service billings revenues;
- The above-mentioned adjustment is calculated as the difference between 100% and the payment ratios, applied to the various amounts of service billings revenues.

12.1 Revenue from Exchange Transactions

(a) Service charges relating to electricity and water are based on consumption. Meters are read on a periodic basis and revenue is recognised when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed and are based on the consumption history. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.

(b) Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

(c) Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

(d) Service charges for sewerage and sanitation are based on the number of sewerage connections on each developed property using the tariffs approved from Council and are levied monthly.

(e) Rentals are recognised on a time proportion basis.

(f) Dividends are recognised on the date that the municipality becomes entitled to receive the dividend.

(g) Revenue arising from the application of the approved tariff or charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

(h) Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

(i) Finance income from the sale of housing by way of instalment sales agreements or finance leases is recognised on a time proportion basis.

(j) Revenue from the sale of goods is recognised when all of the following conditions have been satisfied:

- The municipality has transferred to the buyer the significant risks and rewards of ownership.
- The municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.
- The amount of revenue can be measured reliably.
- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

(k) Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

(l) Operating lease income is recognized on the receipt basis over the lease term.

12.2 Revenue from Non-Exchange Transactions

(a) Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

(b) Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

(c) Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use. Contributed property, plant and equipment are recognised when such items of property, plant and equipment are brought into use.

(d) Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

12.3 The initial measurement of the fair value by discounting all future receipts using an imputed rate of interest has not been computed for the current financial year due to the exemption granted, in terms of General Notice 552 of 2007. In accordance with this General Notice the accounting policy is in line with the exemptions stated in the above mentioned General Notice.

13. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a current liability is recognised.

The requirements of IAS 20 (excluding paragraphs 24 and 26) have not been met in the current and prior financial years as these requirements have been exempted in terms of General notice 552 of 2007. This accounting policy is in accordance with the exemptions stated in the above-mentioned General notice.

14. PROVISIONS

A provision is recognised when the Municipality has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed annually and those estimated to be settled within the next twelve months are treated as current liabilities. All other provisions are treated as non-current liabilities.

15. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted for, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. FOREIGN CURRENCIES

Transactions in foreign currencies are initially recorded at the prevailing exchange rate on the dates of the transactions. Monetary assets and liabilities denominated in such foreign currencies are retranslated at the rates prevailing at the reporting date. Exchange differences are included in the Statement of Financial Performance.

20. COMPARATIVE INFORMATION

20.1 Current year comparatives

Budgeted amounts have been included in the annual financial statements.

20.2 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

21. EMPLOYEES BENEFITS

21.1 General

The municipality provides retirement benefits for its employees and councillors.

A **defined benefit plan** is a plan that defines an amount of benefit that an employee will receive on retirement. A **defined contribution plan** is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

Contributions to defined contribution retirement benefit funds are recognised as an expense when employees and councillors have rendered employment service or served office entitling them to the contributions.

Defined benefit plan accounting as required by IAS 19 / AC 116 have been exempted in terms of General notice 552 of 2007 and had not been applied for the previous or current financial year. These defined benefit plans had been accounted for as defined contribution plans and the defined benefit obligations had been disclosed by narrative information for the current financial year. This accounting policy is in accordance with the exemptions stated in the above-mentioned General notice.

The municipality does not apply defined benefit accounting to the defined benefit funds to which it is a member where these funds as classified in terms of IAS 19 as multi-employer plans, as sufficient information is not available to apply the principles involved. As a result, paragraph 30 of IAS 19 is applied and such funds are accounted for as defined contribution funds.

- Personnel

 Salary personnel are members of the Cape Joint Pension fund established in terms of the Local Authorities Pension Fund Ordinance, 1969 (Ordinance 23 of 1969), and the provisions of the Pension Fund Act, 1956 (Act 24 of 1956) or the Samwu National Provident Fund.

Contributions to Funds

Samwu National Provident Fund:	Employees	09 %
	Employer	18 %
Cape Joint Pension Fund:	Employees	09 %
	Employer	18 %
South African Local Authority Pension Fund	Employees	8,6 %
	Employer	18,07%

21.2 Provincially administered defined benefit plan

The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities.

21.3 Medical Aid: Continued Members

The municipality provides post-retirement benefits by subsidising the medical aid contributions of certain retired staff. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for the portion as determined by Council from time to time, of the medical aid membership fee, and the municipality for the remaining portion.

21.4 Leave Pay

Liabilities for annual leave are recognised as they accrue to employees. The liability is based on the total accrued leave days at year end and is shown as a provision in the Statement of Financial Position.

21.5 Long Service Bonuses

Long service bonuses are provided to employees who achieve certain pre-determined milestones of services within the municipality. The municipality's obligation under these plans would be valued by independent qualified actuaries at year end and the corresponding liability would be raised, had it not been for the exemptions stated in the above-mentioned paragraph. Payments would be set-off against the liability, including notional interest, resulting from the valuation by the actuaries, which would be charged to the Statement of Financial Performance, had it not been for the exemptions stated in the above-mentioned paragraph.

21.6 The defined benefit plan has been accounted for as a defined contribution plan for the current financial year due to the exemption granted, in terms of General Notice 552 of 2007. In accordance with this General Notice the accounting policy is in line with the exemptions stated in the above mentioned General Notice.

22. LEASES

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality.

Operating leases are those leases which do not fall within the scope of the above definition. Operating lease payments are expensed on the basis of the cash flows in the lease agreement.

Assets subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the assets is depreciated at appropriate rates on the straight-line basis over the estimated useful lives of the assets. Lease payments are allocated between the lease finance cost and the capital repayment, using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating lease receipts are recognized as income on the basis of the cash flows in the lease agreement.

The requirement of IAS 17/AC105 to recognize operating lease payments / receipts on a straight-line basis if the amounts are recognised on the basis of the cash flows in the lease agreement, had been exempted in terms of General notice 552 of 2007, thus the operating lease payments and receipts had been recognized on the basis of the cash flows in the lease agreement for both the previous and current financial years. This accounting policy is in accordance with the exemptions stated in the above-mentioned General notice.

23. VALUE ADDED TAX

The municipality accounts for Value Added Tax on the payment basis.

24. SEGMENTAL INFORMATION

The principal segments have been identified on a primary basis by service operation and on a secondary basis by the classification of income and expenditure. The primary basis is representative of the internal structure for both budgeting and management purposes.

The requirements of IAS 11 / AC109 have been exempted in terms of General notice 552 of 2007 and had not been applied for either the prior or the current financial years. This accounting policy is in accordance with the exemptions stated in the above-mentioned General notice.

The requirements of segmental reporting have not been included in the current financial year due to the exemption granted, in terms of General Notice 552 of 2007. In accordance with this General Notice the accounting policy is in line with the exemptions stated in the above mentioned General Notice.

25. GRANTS-IN-AID

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expect to be repaid in future; or
- Expect a financial return, as would be expected from an investment.

The transfers are recognised in the financial statements as expenses in the period in which the events giving rise to the transfer occurred.

26. BORROWING COST

Borrowing costs are recognised as expenses in the Statement of Financial Performance.

27. TREATMENT OF ADMINISTRATION AND OTHER OVERHEAD EXPENSES

The costs of internal support services are transferred to the various services and departments to whom resources are made available.

28. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

29. EVENTS AFTER THE REPORTING DATE

No material events, favourable or unfavourable had occurred between the reporting date and the date of this report.

GEORGE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		2007 R	2006 R
1.	**HOUSING DEVELOPMENT FUND**		
	Housing Development Fund	61,588,891	64,676,692
	Unappropriated Surplus	8,205,648	11,292,449
	Loans extinguished by Government on April 1998	53,383,243	53,383,243
	The Housing Development Fund is represented by the following assets and liabilities:		
	Property, plant and equipment (see note 10)	2,482,505	2,499,664
	Housing selling scheme loans (see note 12)	13,219,030	14,444,574
	Investments (see note 11)	0	0
	Other Debtors:Non collected portion (see note 15)	1,760,817	1,696,850
	Unauthorised use of cash for other purposes	0	0
	Bank and cash (see note 16)	44,126,536	46,034,604
	Creditors (see note 7)	0	0
	Total Housing Development Fund Assets and Liabilities	61,588,891	64,676,692
2.	**RESERVES**		
	Capital Replacement Reserve (CRR)	91,531,817	56,150,592
	CRR - General Service	4,001,628	7,239,502
	CRR - Electricity Service	22,324,171	6,635,503
	CRR - Water Service	25,625,624	7,730,997
	CRR - Sewerage Service	19,807,104	8,522,263
	CRR - Cleansing Service	3,037,652	1,633,132
	CRR - Sale of Property	15,669,786	23,310,307
	CRR - Parking Facilities	1,065,872	1,078,888
	Government Grants Reserve	128,862,021	86,777,521
*	Capitalisation Reserve (NOR -CR)	95,850,568	106,504,644
	Donation/Public Contribution Reserve	4,329,820	2,987,786
	Total Reserves	320,474,226	254,420,543
	* The Capital Replacement Reserve is fully invested in ring-fenced financial instrument investments (see notes 11+16)		
3.	**LONG-TERM LIABILITIES**		
	Local Registered Stock Loans	0	2,217,170
	Annuity Loans	227,315,237	139,743,282
	Capitalised Lease Liability	493,026	39,525
	Government Loans : Other	0	0
	Other Loans	8,721,242	8,897,762
	Sub-total	236,529,505	150,897,739
	Less : Current portion transferred to current liabilities	(10,902,018)	-11,664,795
	Local Registered Stock Loans	0	-2,217,170
	Annuity Loans	(9,826,650)	-8,838,766
	Capitalised Lease Liability	(432,301)	-39,525
	Government Loans : Other	0	0
	Other Loans	(643,067)	-569,334
	Total External Loans	225,627,487	139,232,944
	Refer to Appendix "A" for more detail on long-term liabilities		
	Listed investment covers repayment of other loans) (See note 11 for more detail)		
4.	**NON-CURRENT PROVISIONS**		
	Provision for reclamation of refuse landfill site	0	0
	Total Non-Current Provisions	0	0
	The movement in the non-current provision is reconciled as follows:-	Landfill	Landfill
	Balance at beginning of year	0	0
	Contributions to provision	0	1,020,000
	Expenditure incurred	0	0
	Increase in provision due to discounting	0	0
	Transfer to current provisions	0	(1,020,000)
		0	0
5.	**CONSUMER DEPOSITS**		
	Electricity and Water	8,676,783	8,109,233
	Total Consumer Deposits	8,676,783	8,109,233
	Guarantees held in lieu of Electricity and Water Deposits	6,942,200	4,770,750
6.	**PROVISIONS**		
	Performance bonus	586,197	543,698
	Current portion of reclamation of refuse landfill site provision (see note 4 above)	0	1,020,000
	Total Provisions	586,197	1,563,698
7.	**CREDITORS**		
	Trade Creditors: Rates and General	3,861,589	3,306,755
	:Electricity	11,841,583	10,785,476
	:Water	795,314	111,435
	:Sewerage	201,877	4,811
	:Cleansing	428,469	481,577
	Payments received in advance	2,891,001	2,655,315
	Deposits :Library	4,360	3,800
	Staff Leave	9,831,860	4,186,233
*	Personnel Development	0	0
	VAT (see note 9.2)	10,300,620	13,536,110
*	Other Creditors	41,422,369	15,147,506
	Total Creditors	81,457,182	50,219,020
	* See note 36(i) for adjustment of comparative figure		

	2007 R	2006 R
8. UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
8.1 *Conditional Grants from other spheres of Government:-*	30,017,165	20,183,030
Allocated for Property, Plant and Equipment:	22,977,176	13,227,340
DME - Funds :Electrification Marais Camp	0	138,041
DME - Funds :Electrification 300 Erfs Rhamaposa	0	87,398
Dept. Housing . High Security Fence	0	50,316
Dept. Transport: Taxi Terminus	0	756,985
Dept. Transport: George Mobility Strategy	11,749,926	7,000,000
Eden Mun. Floodlights Outeniqua Park	0	73,000
Eden Mun. - Security Lighting Thembalethu	0	21,162
Eden Mun. - Refuse Transfer Station	202,116	202,116
MIG Grants	2,425,134	4,696,322
MIG Grants - Disaster	8,600,000	0
Sundry Grants:	7,039,989	6,935,690
Financial Management Grant	4,676,576	4,567,422
PAWC - Khulani Women's Project	411,890	383,980
PAWC - Paypoints IGG	0	32,765
PAWC - Spatial Development Framework	375,000	375,000
PAWC - Transitional Grant	1,576,523	1,576,523
8.2 *Other Conditional Receipts:-*	0	1,057,836
Allocated for Property, Plant and Equipment:	0	1,057,836
Fancourt Contribution - Electricity	0	28,231
Fancourt Contribution - Water	0	1,029,605
Total Conditional Grants and Receipts (Refer to Appendix "F" for more details)	30,017,165	21,220,866
9. VAT		
9.1 **Vat included in debtors:**		
- Debtor Control Account (see note14)	6,309,792	7,029,321
- Creditor Provision (Direct Payments)	2,022,210	1,440,178
- Creditor Provision (Orders)	2,202,477	58,293
- VAT adjustments	11,087	0
	10,545,566	8,527,793
9.2 **Vat included in creditors:**		
- Debtor Control Account - Income	3,759,825	6,102,678
- Sundry Debtors - Income	28,625	182,253
- Meter Debt - Income	6,303,855	7,021,312
- Retension Vat	288,315	249,867
	10,380,620	13,636,110
9.3 **VAT receivable from SARS**	8,528,303	2,358,856
9.4 **VAT payable to SARS**	0	0

VAT is payable on the payment basis. Only once payment is received from debtors is VAT paid over to SARS.

10. ASSETS

10.1 **Property, plant and equipment**

30th June 2007

Reconciliation of Carrying Value	Infra-structure R	Community R	Heritage R	Other R	Housing Development Fund R	Leased Infrastructure R	Work in Progress R	Total R
Carrying values at 30 June 2006	240,639,142	66,396,777	607,331	28,692,914	2,499,664	68,595	93,376,292	432,270,715
Cost	401,815,966	83,964,438	607,331	54,821,199	2,499,664	123,061	93,376,292	637,207,951
Revaluation	0	0	0	0	0	0	0	0
Accumulated depreciation	(161,176,824)	(17,567,661)	0	(26,128,285)	0	(54,466)	0	(204,937,236)
- Cost	(161,176,824)	(17,567,661)	0	(26,128,285)	0	(64,466)	0	(204,937,236)
- Revaluation	0	0	0	0	0	0	0	0
Acquisitions	108,354,128	18,944,193	0	16,788,851	0	575,586	59,531,428	204,192,186
WIP Transfers	30,571,220	9,051,219	0	7,054,101	0	0	(46,676,540)	0
Increases / decreases in Revaluation	0	0	0	0	0	0	0	0
Depreciation	(22,842,781)	(3,187,121)	0	(4,568,942)	0	(126,170)	0	(30,705,014)
- based on cost	(22,842,781)	(3,187,121)	0	(4,568,942)	0	(126,170)	0	(30,705,014)
- based on revaluation	0	0	0	0	0	0	0	0
Carrying value of disposals	0	0	0	(18,478)	0	0	0	(18,478)
Cost / revaluation	0	0	0	(944,131)	0	0	0	(944,131)
Accumulated depreciation	0	0	0	925,653	0	0	0	925,653
Impairment losses	0	0	0	0	0	0	0	0
Other movements-cost	6,492	(6,493)	0	0	(17,155)	0	0	(17,155)
Other movements-deprec.	2,056	(2,548)	0	492				0
Carrying values at 30 June 2007	356,726,145	91,221,123	607,331	47,946,955	2,482,509	508,011	106,231,179	605,722,263
Cost	540,747,606	111,953,358	607,331	77,718,020	2,482,509	698,647	106,231,179	840,438,851
Revaluation	0	0	0	0	0	0	0	0
Accumulated depreciation	(184,021,661)	(20,732,234)	0	(29,772,066)	0	(190,636)	0	(234,716,598)
- Cost	(184,021,661)	(20,732,234)	0	(29,772,066)	0	(190,636)	0	(234,716,598)
- Revaluation	0	0	0	0	0	0	0	0

30th June 2006

Reconciliation of Carrying Value	Infra-structure R	Community R	Heritage R	Other R	Housing Development Fund R	Leased Infrastructure R	Work in Progress R	Total R
Carrying values at 30 June 2005	514,193,427	33,278,116	607,331	23,229,862	2,776,632	103,649	26,301,250	317,201,628
Cost	373,049,108	49,156,273	607,331	58,661,348	2,776,632	2,348,812	25,301,250	511,920,554
Change in accounting policy - cost						(2,225,551)		(2,225,551)
Revaluation	0	0	0	0	0	0	0	0
Accumulated depreciation	(141,144,319)	(15,878,157)	0	(35,451,486)	0	(19,512)	0	(192,493,475)
- Cost	(141,144,319)	(15,878,157)	0	(35,451,486)	0	(881,775)	0	(193,355,738)
Change in accounting policy - depreciation						862,263		862,263
- Revaluation	0	0	0	0	0	0	0	0

GEORGE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 R	2006 R

30th June 2006 (CONTINUED)

Reconciliation of Carrying Value	Infra-structure structure R	Community R	Heritage R	Other R	Housing Development Fund R	Leased Infrastructure R	Work in Progress R	Total R
Acquisitions	28,952,734	20,344,063	0	8,691,981	0	0	83,017,102	141,005,880
WIP Transfers	257,934	14,542,795	0	141,331	0	0	(14,942,060)	0
Increases / decreases in revaluation	0	0	0	0	0	0	0	0
Depreciation	(20,459,496)	(1,721,690)	0	(3,297,748)	0	(44,954)	0	(25,523,887)
- based on cost	(20,459,496)	(1,721,690)	0	(3,297,748)	0	(44,954)	0	(25,523,887)
- based on revaluation	0	0	0	0	0	0	0	0
Carrying value of disposals	(18,820)	(46,506)	0	(72,512)	0	0	0	(135,838)
Cost / revaluation	(443,811)	(78,692)	0	(12,693,462)	0	0	0	(13,215,965)
Accumulated depreciation	426,990	32,186	0	12,620,949	0	0	0	13,080,126
Impairment losses	0	0	0	0	0	0	0	0
Other movements	0	0	0	0	(276,968)	0	0	(276,968)
Carrying values at 30 June 2006	240,639,141	66,396,777	607,331	28,692,914	2,499,664	68,696	93,376,292	432,270,715
Cost	401,815,966	83,964,438	607,331	54,821,199	2,499,664	123,061	(25,523,887)	637,207,950
Revaluation	0	0	0	0	0	0	0	0
Accumulated depreciation	(161,176,824)	(17,567,661)	0	(26,128,285)	0	(54,466)	0	(204,937,236)
- Cost	(161,176,824)	(17,567,661)	0	(26,128,285)	0	(54,466)	0	(204,937,236)
- Revaluation	0	0	0	0	0	0	0	0

Refer to Appendix B and C for more detail on property, plant and equipment, including those in the course of construction

Property, plant and equipment include items that would be defined as investment properties as defined by IAS 40, but had not been accounted for in accordance with IAS 40 due to the exemption in terms of General notice 552 of 2007. These items are accounted for in accordance with GAMAP 17.

Impairment of assets, review of useful lives and review of depreciation methods

The municipality had not tested its items of property, plant and equipment for any potential impairment losses on assets. Furthermore, no review of the useful lives or depreciation methods applied to items of property, plant and equipment had been performed. The afor-mentioned actions had not been carried out by the municipality due to the exemptions granted in terms of General notice 552 of 2007.

10.2 Biological assets

- Standing Timber		
Balance at 1 July	0	4,100,000
Decrease due to sales	0	(4,100,000)
Balance at 30 June	0	0
Non - current	0	0
Current	0	0
	0	0

During the2005/06 financial year all standing timber on plantations belonging to council were harvested and sold.

10.3 Property, plant and equipment per Cash Flow Statement

Total Additions (Appendix B)	204,192,185	141,005,880
Less: Donated PPE (Statement of Nett Assets)	(1,516,333)	0
	202,675,852	141,005,880

11. INVESTMENTS

Listed		
RSA Government Stock	18,079,515	15,956,587
Financial Instruments		
Investment in Municipal Entities	0	0
Long-Term Deposits	0	0
Short-Term Deposits	285,732,381	216,827,241
Short-Term Deposits - EFF Invested	0	0
Short-Term Deposits - Grants Invested	0	383,980
Sub total	285,732,381	217,211,221
Less:- Short- Term deposits transferred to Cash and Cash Equivalents (note 15)	(285,732,381)	-217,211,221
Total Cash Investments	0	0
Total Investments	18,079,515	15,956,587
Market valuation of listed investments		
RSA Government Stock	18,413,288	17,212,921
Allocation of Investments		
Operational Cash	18,079,515	15,956,587
	18,079,515	15,956,587

Investment in Municipal Entities

The municipality exercises control in the following company where the value of the investments is considered to be zero rand as the company does not have a share capital which could be valued in an open market:

George Housing Association (Section 21 Company)

	2007	2006
Proportion of control: (Five of the seven directors serving on the George Housing Association's board of directors are nominated by the municipality's Mayoral Committee - thus 5/7 = 71.43%)	71.43%	71.43%
Indebtness of the George Housing Association (R)	0	0.00
Dividend received (R)	0	0.00
Management fees received (R)	0	0.00
Administration fees received (R)	0	0.00
Donations made to the George Housing Association (R)	1,800,000	1,800,000

The George Housing Association operates in the municipality's area of jurisdiction.

Management's valuation of the investment in the George Housing Association (R) 0 0.00

In terms of General notice 552 of 2007, the municipality has been exempted from compiling consolidated annual financial statements. In accordance with this notice, the financial statements of the municipal entities are attached to the municipality's financial statements in Appendix K.

12. LONG-TERM DEBTORS

	Gross Balances	Provision For Bad Debt	Net Balance	
Housing loans	13,219,030	8,068,599	5,150,431	14,444,574
Vehicle loans	335,898	0	335,898	1,694,090
Loans to Organisations (Section 185A /Ord. 20/1974)	822,377	0	822,377	939,388
Sale of property	1,315,560	0	1,315,560	2,887,916
Computer loans	41,154	0	41,154	84,033
Zader Loan	192,806	0	192,806	569,855
Victoria Bay - Paving/Sewerage Loans	113,204	0	113,204	111,963
Actaris meter costs	4,378,720	4,378,720	0	5,804,685
	20,418,749	12,447,319	7,971,430	26,536,504
Less current portion			(5,658,625)	(2,637,934)
Total Long-term Debtors			2,312,806	23,898,570

(Refer to Appendix "H" for more detail on long term debtors)
(Refer note 46.1) Change in accounting estimate in relation to provision for housing loans.

		2007 R	2006 R
13.	**INVENTORY**		
	Consumable Stores	6,206,495	4,436,145
	Maintenance materials :		
	- Water : Purification Chemicals	800,997	905,212
	- Water : Distribution/Connection materials	493,485	361,131
	- Water : Pollution Control chemicals	98,552	47,162
	- Sewerage : Main line pipes	60,059	60,059
	Unsold properties held for resale	1,602,544	552,927
		9,262,131	6,362,636
	Total Inventory		
	(See note 36(ii) for adjustment of comparative figure)		
	Inventory represents consumable stock and raw materials.		
	Included in General expenses (note 43) is an amount of R 39 335 representing the write down of inventories to net realisable value.		

14.	**CONSUMER DEBTORS**	**DEBTORS**	**Provision for Bad Debts**	**Net Balance**
	As at 30 June 2007			
	Service Debtors:	64,122,595	39,545,735	24,576,860
	Rates	12,305,325	7,588,949	4,716,376
	Electricity	13,480,452	8,313,675	5,166,777
	Water	16,557,938	10,211,624	6,346,314
	Sewerage	11,519,311	7,104,198	4,415,113
	Cleansing	10,259,569	6,327,289	3,932,280
	Other Debtors:	6,447,103	3,976,062	2,471,041
	General Computerised Debtors	185,342	0	185,342
	Loans	1,982,283	1,343,908	638,375
	Computer Loans	329	0	329
	Housing Rentals	629,181	387,667	241,514
	Legal fees	3,639,968	2,244,487	1,395,481
		6,299,062	3,891,971	2,407,091
	Less: Masakhane Debtors	-10,730	0	(10,730)
	Plus: VAT	6,309,792	3,891,971	2,417,821
	Total Debtors	76,868,760	47,413,768	29,454,992
	Less: Payments in advance	-2,891,001		
	Total Computerised Debtors	73,977,759		
	As at 30 June 2006			
	Service Debtors	70,531,278	54,563,347	15,967,931
	Rates	15,917,877	11,682,715	
	Electricity	10,635,061	3,956,377	
	Water	16,639,387	15,180,966	
	Sewerage	13,516,884	12,370,622	
	Cleansing	11,822,089	11,372,467	
	Housing Rentals	771,813	663,774	108,039
	Other Debtors:	18,331,232	8,381,609	9,949,623
	Loans	2,338,799		
	Other Debtors	8,963,112		
	VAT	7,029,321		
	Total Debtors	89,634,323	63,608,730	26,025,593
	Less: Payments in advance	-2,655,315		
	Total Computerised Debtors	86,979,008		
	As at 30 June 2007			
	Rates: Ageing			
	Current(0-30 days)	5,921,487		
	31-60 Days	286,431		
	61-90 Days	127,977		
	91-120 Days	121,908		
	121-365 Days	2,150,119		
	+365 days	3,697,403		
	Total	12,305,325		
	Electricity,Water,Sewerage and Cleansing: Ageing			
	Current(0-30 days)	20,684,334		
	31-60 Days	1,413,662		
	61-90 Days	1,258,004		
	91-120 Days	1,594,252		
	121-365 Days	8,737,632		
	+365 days	18,129,386		
	Total	51,817,270		
	Loans: Ageing			
	Current(0-30 days)	31,459		
	31-60 Days	45,367		
	61-90 Days	53,653		
	91-120 Days	46,855		
	121-365 Days	1,573,777		
	+365 days	231,072		
	Total	1,982,283		
	Housing rentals: Ageing			
	Current(0-30 days)	50,169		
	31-60 Days	24,310		
	61-90 Days	12,627		
	91-120 Days	11,419		
	121-365 Days	70,618		
	+365 days	460,040		
	Total	629,181		
	Other Debtors: Ageing			
	Current(0-30 days)	324,140		
	31-60 Days	366,469		
	61-90 Days	184,084		
	91-120 Days	329,187		
	121-365 Days	2,419,164		
	+365 days	6,564,717		
	Total	10,187,761		

	2007 R	2006 R

Summary of Debtors' Ageing

Current(0-30 days)	27,011,569
31-60 Days	2,093,910
61-90 Days	1,636,345
91-120 Days	2,103,721
121-365 Days	14,951,308
+365 days	29,082,618
Total Debits Outstanding	76,879,491
Less: Payment In Advance	-2,891,002
Other Credits	-10,730
Unallocated Debits	0
	73,977,759

SUMMARY OF DEBTORS BY CLASSIFICATION

	CONSUMERS	Industrial / Commercial	National and Provincial Government	Total
30th June 2007				
Current (0 - 30 days)	12,420,379	10,090,208	222,750	22,733,338
31 - 60 Days	1,662,521	252,816	24,510	1,959,847
61 - 90 Days	1,572,000	165,035	13,450	1,750,485
91 - 120 Days	1,322,563	177,035	17,385	1,516,983
121 - 365 Days	9,958,243	1,420,266	247,734	11,626,244
+ 365 Days	33,447,230	704,733	239,100	34,391,063
Sub Total	60,402,936	12,809,893	764,930	73,977,759
Less: provision for bad debts	44,719,637	2,694,131	0	47,413,768
Total debtors by customer classification	15,683,299	10,116,762	764,930	26,563,991

15. OTHER DEBTORS

	Gross Balances	Provision For Bad Debt	Net Balance	
Non - Cash portion of Housing Development Fund	1,760,817	0	1,760,817	1,696,850
Recovery of unauthorized,irregular,fruitless or wasteful expenditure	0	0	0	0
Insurance claims	149,250	0	149,250	113,857
Miscellaneous debtors	24,707,225	3,226,473	21,480,752	26,372,023
Total Other Debtors	26,617,292	3,226,473	23,390,819	28,182,730

(Refer note 46.2) Change in accounting estimate in relation to provision for sundry debtors.

16. BANK, CASH AND CASH EQUIVALENTS

The Municipality has the following bank accounts :-

Current Account (Primary Bank Account)
ABSA Bank Limited - George Branch (630-114)
Account Number 10-2222-0981

Current Account (Cash Account)
ABSA Bank Limited - George Branch (630-114)
Account Number 40-5353-0012

(i) CASH BOOK(BANK)

- Operating bank account	(42,243,053)	17,639,845
- CRR bank account	56,150,592	50,426,207
- Other Capital Receipts bank account	14,285,176	10,027,783
- EFF bank account	1,161,635	(56,310,449)
- EFF Accumulated Depreciation bank account	2,004,822	1,108,077
Cash Book balance at the beginning of the year :-	31,359,172	22,891,263
- Operating bank account	(103,304,630)	(42,243,053)
- CRR bank account	91,531,817	56,150,592
- Other Capital Receipts bank account	22,977,176	14,285,176
- EFF bank account	405	1,161,635
- EFF Accumulated Depreciation bank account	4,774,582	2,004,822
Cash Book balance at the end of the year :-	16,979,351	31,359,172

BANK ACCOUNT

Bank statement balance at beginning of year :-	50,182,816	42,809,509
- ABSA Bank Limited - 10-2222-0981	50,220,953	42,810,149
- ABSA Bank Limited - 40-5353-0012	(38,136)	(640)
Bank statement balance at end of year :-	47,606,032	50,182,816
- ABSA Bank Limited - 10-2222-0981	47,606,032	50,220,953
- ABSA Bank Limited - 40-5353-0012	0	(38,136)

(ii) CASH
CASHIER FLOATS

Caravan Park	Heroids Bay	100	100
Library	Caledon Street	100	100
Library	Conville	30	30
Library	Pacaltsdorp	20	20
Library	Blanco	20	20
Library	Thembalethu	20	20
Traffic Cashiers: Licensing	1	6,000	3,500
Treasury	Magistrate Court	200	200
Treasury	Zader	200	200
Treasury	Hoekwil	300	300
Treasury	Touwsranten	100	100
Treasury Cashiers:	1	2,100	2,400
Treasury Petty Cash		3,000	3,000
		12,190	9,990

(iii) CASH EQUIVALENTS

Short-Term Deposits transferred from Investments (note 11)	285,732,381	217,211,221
Total of Bank,Cash and Cash Equivalents	301,723,922	248,580,383

Allocation of Cash and Cash Equivalents

Capital Replacement Reserve	91,531,817	56,150,592
Consumer Deposits	8,676,783	8,100,233
EFF bank account (unutilised)	405	1,161,635
EFF Accumulated Depreciation	4,774,582	2,004,822
Housing Development Fund	44,126,536	46,034,604
Unspent Conditional Grants (Capital)	22,977,176	14,285,176
Unspent Conditional Grants (Operating)	7,039,989	6,935,690
Operational Cash	122,596,633	113,907,631
	301,723,922	248,580,383

GEORGE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		2007 R	2006 R

17. **PROPERTY RATES**

A) **GEORGE**

	Site valuations 30 June 2007	Building valuations 30 June 2007	Actual - 2007 R	Actual - 2006 R
Residential	1,275,818,700	3,261,291,400	52,108,975	47,016,159
Car park	0	0	0	0
Commercial	384,688,600	1,069,659,000	16,517,881	16,038,485
Minor business	0 0	0	0	0
Light Industrial	77,228,000	304,385,000	4,153,065	3,859,747
Agricultural	0	0	0	0
Municipal	0	0	0	0
Less: Rebates all areas	0	0	(27,108,123)	-25,166,308
State (included in commercial)	0	0	0	0
Other (Flat Rate)	0	0	47,147	47,408
Less: Adjustments to Rates			(1,529,680)	
	1,737,735,300	4,635,335,400	44,189,265	41,795,491

The tariff rate for general rates were 1.6976 cent in the Rand on land and 0.9337 cent in the Rand on buildings.
A 20% rebate was allowed on residential properties for 2006/2007.
A rebate of 10% - 40% was granted based on the annual income of the ratepayer.

B) **WILDERNESS, HEROLDS BAY, VICTORIA BAY, OUBAAI & KLEINKRANTZ**

	Site valuations 30 June 2007	Building valuations 30 June 2007	Actual - 2007 R	Actual - 2006 R
Residential	655,998,500	695,354,710	11,150,710	14,483,254
Car park	0	0	0	0
Commercial	35,439,100	52,057,000	6,629,541	135,012
Minor business	0	0	0	0
Light Industrial	0	0	0	0
Agricultural	0	0	0	0
Municipal	0	0	0	0
State (included in commercial)	0	0	0	0
Other (Flat Rate)	0	0	0	0
	691,437,600	747,411,710	17,780,251	14,618,266

Land and buildings will be valued every four years. The last general valuation came into effect on 1 July 2003.
The tariff rate for general rates were 1.6127 cent in the Rand on land and 0.8870 cent in the Rand on buildings.
A 20% rebate was allowed on residential properties for 2006/2007.
A rebate of 10% - 40% was granted based on the annual income of the ratepayer.

C) **HOEKWIL, WILDERNESS HEIGHTS AND TOUWSRANTEN SMALL HOLDINGS**

	Site valuations 30 June 2007	Building valuations 30 June 2007	Actual - 2007 R	Actual - 2006 R
Residential	99,298,000	79,497,640	1,532,612	1,985,704
Car park	0	0	0	0
Commercial	1,017,000	4,032,400	701,905	45,811
Minor business	0	0	0	0
Light Industrial	0	0	0	0
Agricultural	0	0	0	0
Municipal	0	0	0	0
State (included in commercial)	0	0	0	0
Other (Flat Rate)	0	0	0	0
	100,315,000	83,530,240	2,234,517	2,031,516

Land and buildings will be valued every four years. The last general valuation came into effect on 1 July 2003.
The tariff rate for general rates were 1.5278 cent in the Rand on land and 0.8403 cent in the Rand on buildings.
A 20% rebate was allowed on residential properties for 2006/2007.
A rebate of 10% - 40% was granted based on the annual income of the ratepayer.

D) **RURAL AREAS**

	Site valuations 30 June 2007	Building valuations 30 June 2007	Actual - 2007 R	Actual - 2006 R
Residential	550,291,500	193,949,000	10,426,451	9,993,642
Car park	0	0	0	0
Commercial	63,896,210	249,519,000	4,140,661	3,717,604
Minor business	0	0	0	0
Light Industrial	0	0	0	0
Agricultural	0	0	0	0
Municipal	0	0	0	0
State (included in commercial)	0	0	0	0
Other (Flat Rate)	0	0	0	0
	614,187,710	443,468,000	14,567,112	13,711,246

Land and buildings will be valued every four years. The tariff rate for general rates were 1.6976 cent in the Rand on land and 0.9337 cent in the Rand on buildings. A 65% rebate was allowed on residential properties and 10% was allowed on businesses properties for 2006/2007.
A rebate of 10% - 40% was granted based on the annual income of the ratepayer.

Actual	2007	2006
Residential	48,157,876	48,359,859
Commercial	27,989,985	19,936,912
State	4,153,069	3,859,747
Total Assessment Rates	80,300,930	72,156,518
Add: Revenue Foregone	26,584,411	24,291,563
	106,886,341	96,449,081
Valuations		
Residential	6,811,499,650	6,516,010,950
Commercial	1,860,308,310	1,869,627,810
State	381,613,000	378,770,000
Municipal	301,364,300	300,526,578
Total Property Valuations	9,354,785,260	9,064,935,338

18. **SERVICE CHARGES**

Sale of electricity	169,188,657	150,670,099
Sale of water	53,661,462	46,083,117
Refuse removal	24,999,264	22,756,821
Sewerage and sanitation charges	37,263,133	33,887,815
Sale of water - fire station	32,520	0
Housing schemes	848,625	0
Total Service Charges	285,993,661	253,397,852
(See note 36(iv) for adjustment of comparative figure)		

		2007 R	2006 R
19.	**GOVERNMENT GRANTS AND SUBSIDIES**		
	Operating Grants:	57,110,089	44,257,575
	- Equitable share	24,568,315	26,050,352
	- Illiteracy Programmes and Training Funds	779,544	1,493,395
	- Proclaimed Roads	753,000	2,000,000
	- Provincial health subsidies	8,278,822	10,634,966
	- Provincial housing	16,668,179	4,078,862
	- Finance Management Grant	390,646	0
	- Refuse Landfill Site	1,020,000	0
	- MIG (Flood damage)	4,651,383	0
	Capital Grants (see appendix "F")	46,855,095	18,492,277
	Total Government Grants and Subsidies	103,965,184	62,749,852
	(See notes 36(vi) and 36(vii) for adjustment of comparative figures)		

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive the following monthly subsidy, which is funded from this grant:-

Level of income:	Subsidy:
(i) R0 - R3 000,00	R300,00 per month

Provincial Health Subsidies

The Municipality renders health services on behalf of the Provincial Government and receives a monthly grant for expenditure incurred.
This is used exclusively to fund clinic services.
The conditions of the grant have been met. There was no delay or the withholding of the subsidy

Capital Grants

Balance unspent at beginning of the year	14,285,175	10,027,783
Current year receipts	55,547,096	22,749,669
Conditions met - transferred to revenue	(46,855,095)	(18,492,277)
Conditions still to be met - transferred to liabilities (see note 8)	22,977,176	14,285,175

This grants is used to construct roads,water,sewerage and electricity infrastructure and the upgrading of informal settlement areas. Other than the unspent amount, the conditions of the grant have been met. No funds have been withheld.

20.	**EMPLOYEE RELATED COSTS**		
	Employees related costs - Salaries and Wages	93,724,986	75,543,816
	Current and Post Employee Contributions:		
	Pension funds	12,879,665	11,069,009
	Medical Aids	7,103,280	6,683,569
	UIF	771,033	611,792
	Other Employee related Contributions	2,376,000	1,948,924
	Travel, motor car, accommodation, subsistence and other allowances	7,763,083	6,634,728
	Housing benefits and allowances	1,203,879	1,022,542
	Overtime payments	7,404,301	5,372,148
	Performance bonus	0	0
	Long-service awards	1,292,090	1,581,077
	Less: Employee costs capitalised to Property, Plant and Equipment	0	0
	Less Employee costs included in other expenses	0	0
	Total Employee Related Costs	134,620,117	110,467,605
	(See note 36(i) for adjustment of comparative figure)		
	Remuneration of the Municipal Manager		
	Annual Remuneration	656,000	608,327
	Performance Bonuses	111,000	59,648
	Car Allowance	84,000	96,000
	Contributions to UIF	1,399	0
	Total	852,399	763,975
	Remuneration of the Chief Finance Officer		
	Annual Remuneration	432,197	488,575
	Performance Bonus	93,509	86,488
	Car Allowance	90,000	90,000
	Contributions to UIF, Medical and Pension Funds	102,595	0
	Total	718,302	663,062
	Remuneration of Executive Directors		
	(Technical Services, Corporate Services and Community Services)		
	Annual Remuneration	2,481,284	1,748,503
	Performance Bonus	482,055	371,295
	Car Allowance	552,354	571,955
	Contributions to UIF, Medical and Pension Funds	188,459	154,840
	Total	3,704,152	2,846,592

21.	**REMUNERATION OF COUNCILLORS**		
	Executive Mayor	304,375	230,460
	Deputy Executive Mayor	228,535	184,369
	Speaker	236,293	184,369
	Mayoral Committee Members	1,403,473	1,088,822
	Councillors	2,610,185	1,425,418
	Councillors' pension contribution	607,300	456,298
	Medical aids	138,441	127,627
	Housing	0	350,999
	Travelling Allowance	2,108,563	777,785
	Office Allowance	0	84,391
	Cell phone Allowance	353,395	159,699
	Total Councillors' Remuneration	8,390,559	5,070,236

In-kind Benefits

The Executive Mayor, Deputy Executive Mayor, Speaker and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Executive Mayor and Deputy Mayor have use of Council's owned vehicles for official duties.

Certification by the Municipal Manager

I certify that remuneration of councillors and in-kind benefits are in accordance with the Public Office Bearers Act and the Minister of Provincial and Local Government's determination in accordance with that Act.

Signed: Municipal Manager

GEORGE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

			2007 R	2006 R
22.	**INTEREST ON EXTERNAL BORROWINGS**			
	Long - term liabilities		14,448,600	10,152,385
	Finance Leases		53,050	7,426
	Bank overdraft		0	0
	Total interest on External Borrowings		14,501,649	10,159,811
23.	**BULK PURCHASES**			
	Electricity		80,813,538	70,429,849
	Total Bulk Purchases		80,813,538	70,429,849
24.	**GRANTS AND SUBSIDIES PAID**			
	Equitable Share		19,707,578	20,250,747
	Projects Social Services		1,936,604	1,873,787
	SPCA - Small Animal Pound		605,449	478,669
	Merit Grants		13,640	21,000
	Bursary Grants		373,972	214,199
	Gifts		1,624,883	1,253,691
	Festival		404,345	297,526
	International Sevens Rugby		2,161,171	911,625
	Total Grants and Subsidies		27,047,643	25,301,844
25.	**CASH GENERATED FROM (UTILISED IN) OPERATIONS**			
	Net surplus for the year		91,207,601	88,149,133
	Adjustments for:-			
	Previous year's operating transactions:			
	- Biological Assets (Note 36 (iii))		0	4,100,000
	- Adjustment of Investments(Note 36 (ii))		0	2,955,465
	- Adjustment of Investments(Note 36 (ii))		0	12,711,284
	- Adjustment of Investments(Note 36 (ii))		0	(1,360,686)
	- Adjustment of Inventory - Obsolete Stock(Note 36 (ii))			0
	Depreciation	Note 44	30,705,014	25,523,867
	Amortisation	Note 44	460,544	339,104
	Gain on disposal of property and equipment		(287,598)	(1,795,269)
	Write-off of Cost of Unsold Units	APP.B	17,156	276,967
	Contribution to provisions- current	Note 6	(977,411)	1,563,608
	Contribution to bad debt provision		0	(14,312,902)
	Investment Income		(34,100,338)	(22,550,900)
	Interest paid		14,501,649	10,159,611
	Operating surplus before working capital changes		101,546,617	105,759,482
	(Increase)/decrease in inventories	Note 13	(2,899,495)	(2,578,130)
	(Increase)/decrease in debtors (Consumers)	Note 14	(3,429,399)	11,837,790
	(Increase)/decrease in other debtors	Note 15	4,791,912	(835,169)
	(Decrease)/increase in conditional grants and receipts	Note 8	8,796,299	4,205,972
	Increase in creditors	Note 7	31,238,163	1,288,214
	(Increase)/decrease in debtors (VAT-receivable)	Note 8	(6,169,447)	(949,174)
	Cash generated by operations		133,874,650	118,738,985
26.	**CASH AND CASH EQUIVALENTS**			
	Bank balance and cash at the end of the year		301,723,922	248,580,383
	Bank balance and cash at the beginning of the year		248,580,383	187,328,122
	Net increase/ (decrease) in cash and cash equivalents		53,143,539	61,252,261
	(See note 36 (v) for adjustment of comparative figure)			
27.	**EXTERNAL LOANS RECONCILIATION**			
	External loans raised (see note 3)		236,529,505	150,997,739
	Used to finance property, plant and equipment:-			
	Annuity Loans (Appendix "G")		(227,314,831)	(138,581,647)
	Other Loans (Appendix "A")		(8,721,242)	(8,997,782)
	Lease Assets (Appendix "A")		(493,026)	(39,525)
	Sub- total		405	3,378,805
	Cash set aside for the repayment of loans	(see note 11)	18,079,515	15,956,587
	Cash invested for repayment of external loans		18,078,920	19,335,392
	External loans have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that external loans can be repaid on redemption date.			
28.	**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFULL EXPENDITURE DISALLOWED**			
	Unauthorised expenditure		0	0
	Reconciliation of unauthorised expenditure			
	Opening balance			
	Unauthorised expenditure current year			
	Approved by Council			
	Transfer to Statement of Financial Performance- authorised losses			
	Transfer to receivable for recovery			
	Closing balance			
			0	0

Incident	Disciplinary steps/criminal proceedings
Unbudgeted expenditure	*Disciplinary hearings held on :*

Irregular, fruitless and wasteful expenditure	0	0
Reconciliation of fruitless and wasteful expenditure		
Opening balance	0	0
Fruitless and wasteful expenditure current year	205,840	0
Transfer to Statements and Financial Performance	(205,840)	0
Transfer to receivables for recovery	0	0
Closing Balance	0	0

Incedent	Disciplinary steps/criminal proceedings
Fraud Commited	Employee Dismissed 31 August 2007

Total Unauthorised, fruitless and wasteful expenditure disallowed	0	0

GEORGE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		2007 R	2006 R
29.	**ADDITIONAL DISCLOSURE IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT**		
	(i) Contributions to SALGA	474,443	510,250
	(ii) Audit fees		
	Opening balance	0	0
	Prior year audit fee	621,931	603,583
	Current year audit fee	0	0
	Amount paid - current year	0	0
	Amount paid - prior year	(621,931)	(603,583)
	Balance unpaid (included in creditors)	0	0
	(iii) VAT		
	VAT inputs receivable and VAT output receivable are shown in note 9 and 14 respectively. All VAT returns have been submitted by the due date throughout the year.		
	(iv) PAYE and UIF		
	Opening balance	0	0
	Current year payroll deductions - PAYE	14,179,816	11,676,931
	Current year payroll deductions - UIF	1,551,633	1,233,892
	Amount paid - current year	(15,731,449)	(12,910,823)
	Amount paid - previous year	0	0
	Balance unpaid (included in creditors)	0	0
	The balance represents PAYE and UIF deducted from the June 2007 payroll. These amounts were paid during June 2007		
	(v) Pension and Medical Aid Deductions		
	Opening balance	0	0
	Current year payroll deductions and Council Contributions - Pension	19,442,391	16,548,805
	Current year payroll deductions and Council Contributions - Medical	8,165,892	7,664,236
	Amount paid - current year	(27,608,282)	(24,213,041)
	Amount paid - previous year	0	0
	Balance unpaid (included in creditors)	0	0
	The balance represents pension and medical aid contributions deducted from the employees in the June 2007 payroll as well as Councillor's contributions to pension and medical aid funds. These amounts were paid during June 2007.		
	(vi) Councillor's arrear consumer accounts		
	The following Councillors had arrear accounts outstanding for more than 90 days as at - 30th June 2007		

	Total	Outstanding less than 90 days	Outstanding more than 90 days
Councillor T. Teyisi	1,426	0	1,426
	1,426	0	1,426

30	**CONTINGENT LIABILITIES**		
	(i) Guarantees issued by the George Municipality in respect of building society and commercial bank housing loans to Council officials amounted to:	32,381	77,241
	(ii) A possible obligation in respect of a court case with Mr Riaan Laing was noted per an attorney's confirmation from Braam & Vennote	0	448,060
31	**IN-KIND DONATIONS AND ASSISTANCE**		
	The Municipality received the following in-kind donations and assistance		
	Description		
	- Secondment of International Finance Advisor by National Treasury for 2 years		
32	**PURCHASED INTANGIBLE ASSETS**		
	Computer Software		

	2007	2006
Carrying values at the beginning of the year	1,127,119	-
Cost	1,466,224	-
Accumulated amortisation	(339,104)	-
Accumulated impairment	0	-
Acquisitions	510,486	1,466,224
Disposals	0	0
Amortisation	(480,544)	-339,104
Impairment losses	0	0
Carrying value at the end of the year	1,157,061	1,127,119
Cost	1,976,710	1,466,224
Accumulated amortisation	(819,648)	-339,104
Accumulated impairment	0	0

No intangible assets had been pledged as security for any liabilities of the municipality.

No restrictions apply to any of these intangible assets.

Significant intangible assets, that did not meet the recognition criteria for intangible assets as stipulated in IAS 38 and SIC 32, are as follows:

Website Costs incurred during the last two financial years have been expensed and not recognized as Intangible Assets.
The municipality cannot demonstrate how its website will generate probable future economic benefits.

33	**OTHER INCOME**		
	Sale of Erven	3,598,088	6,613,540
	Building plan fees and related income	8,124,419	10,115,883
	Application for second dwelling	1,681,441	2,437,021
	Contribution to capital projects	24,968,535	11,110,976
	Vat Claim back	2,593,624	0
	Rental of office space	1,751,000	0
	Other income	7,741,514	7,990,157
	Total other income	50,458,620	38,267,678

GEORGE LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

		2007 R	2006 R
34	**INTERNAL - CHARGES**		
	Inter-departmental charges have not been excluded from revenue and expenditure in the statement of financial performance. The Municipality is in the process of devising procedures to reverse all inter-departmental charges for financial reporting purpose in the future years.	40,315,237	33,503,108
35	**CONTINGENT ASSET**		
	One of the attorney's used by George Municipality, Raubenheimers, indicated that the Municipality had successfully won a case brought by the Municipality against George Crocodile Park, on the 15 June 2006. Raubenheimers was subsequently notified on 21 August 2006 that an application for leave to appeal was to be made by George Crocodile Park.		
	In the opinion of Raubenheimers, it is unlikely that the appeal will be successful and that George Municipality will recover the cost.	0	190,780
36	**CORRECTION OF PRIOR PERIOD ERRORS**		

(i) During the year ended 30 June 2006 creditor's were erroneously recognized to the amount of R1 572 076 which do not satisfy the definition of a creditor. The effect of the correction for the current year is that the comparative amount of Creditors is R1 572 076 less than previously reported, employee related cost is R1 572 076 less than previously reported and the Surplus for 2005/06 is R1 572 076 more than previously reported.

(ii) Adjustment to correct the treatment Inventory - Obsolete Stock. The provision for obsolete stock had been created in the past to serve as a reserve for future write off of inventories - this reserve is no longer allowed in terms of GRAP and had now been reversed retrospectively. The effect of the correction for the current year is that the comparative amount of Inventory is R501 688 more than previously reported and the Surplus for 2005/06 is R501 688 more than previously reported.

(iii) Adjustment to recognize Intangible assets retrospectively with a cost of R 1 466 223 and amortisation of R339 104 as at 30 June 2006. The effect of the correction for the current year is that the comparative cost of Intangible assets is R1 466 223 more than previously reported, computer software costs are R1 466 223 less than previously reported, amortisation of and accumulated amortisation on intangible assets are respectively R339 104 more than previously reported and the Surplus for 2005/06 is R1 127 119 more than previously reported.

(iv) Ajustment to correct bad debts expense and various revenue service charges, which had been respectively understated with an amount of R12 672 000 due to an audit journal which had been processed in 2006 . The journal to adjust the probability of revenue had been reversed. The effect of the correction for the current year is that the comparative amount of bad debt is R12 672 000 more than previously reported, various revenue service charges are in total R12 672 000 more than previously reported and the Surplus remains unchanged.

(v) Adjustment to correct the cash and cash equivalents amount, which had been understated with an amount of R4 500 000. The mentioned amount was erroneously disclosed on the cash flow statement as a "Increase in current inverstments" instead of Cash and cash equivalents. The effect of the correction for the current year is that the comparative amount of Cash and cash equivalents is R4 500 000 more than previously reported and the Net cash flow form (used in) investing activities on the cash flow statement decreased with the same amount.

(vi) Adjustment to correct Equitable -share subsidy received in 2005/06 year and recognised in Creditors, then erroneously deferred to the current year. The effect of the correction for the current year is that the comparative amount for Government grants and subsidies Received and the Surplus is R5 799 605 more than previously reported and Creditors is R 5 799 605 less than previously reported.

(vii) Adjustment to Personnel Development Fund to correct the treatment of insurance payouts received for staff training. A provision for staff training was raised on receipt of the compensation to be used for training the individual who would be taking over the position of the deceased employee. In terms of the accounting standards there is neither a legal nor constuctive obligation at year end in respect of training costs and thus do not satisfy the definition of a creditor. Compensation received should be recognised as income in the period earned. The effect of the correction for the current year is that the comparative amount of Creditors is R1 490 476 less than previously reported and Government grants and subsidies revenue is R1 019 639 less than previously reported and the opening accumulated surplus for 2005/06 is R2 510 115 more than previously reported.

The comparative amounts have been restated as follows:

			2007	2006
(a)		Current liabilities - Creditors		
		Balance as at 30 June	81,457,182	59,081,177
	(i)	Adjustment of creditors(Employment related costs)	0	-1,572,076
	(vi)	Adjustment of Equity - share subsidy	0	-5,799,605
	(vii)	Adjustment of Personnel Development Fund	0	-1,490,476
		Restated Balance	81,457,182	50,219,020
(b)		Accumulated Surplus		
		Balance as at 30 June	268,600,473	225,712,457
	(i)	Adjustment - Creditors (Note 7)	0	1,572,076
	(ii)	Adjustment of Inventory - Obsolete Stock (Note 13)	0	501,688
	(iii)	Adjustment of Intangible Assets	0	1,466,224
	(iii)	Adjustment of Intangible Assets - Amortisation	0	-339,104
	(vi)	Adjustment of Equity - share subsidy	0	5,799,605
	(vii)	Adjustment of Personnel Development Fund	0	1,490,476
		Restated Balance	268,600,473	236,203,422
(c)		Inventory		
		Balance as at 30 June	9,262,131	5,860,947
	(ii)	Adjustment of Inventory	0	501,688
		Restated Balance	9,262,131	6,362,635
(d)		Intangible Assets		
		Balance as at 30 June	1,167,061	0
	(iii)	Adjustment of Intangible Assets	0	1,466,224
	(iii)	Adjustment of Intangible Assets - Accumulated Amortisation	0	-339,104
		Restated Balance	1,167,061	1,127,119
(e)		Repairs and maintenance		
		Balance as at 30 June	53,573,187	47,611,375
	(iii)	Adjustment of Computer Software costs	0	-1,466,223
		Restated Balance	53,573,187	46,145,152
(f)		Amortisation: Intangible Assets		
		Balance as at 30 June	480,544	0
	(iii)	Adjustment of Intangible Assets - Amortisation	0	339,104
		Restated Balance	480,544	339,104
(g)		Accumulated Amortisation: Intangible Assets		
		Balance as at 30 June	819,648	0
	(iii)	Adjustment of Intangible Assets - Accumulated Amortisation	0	339,104
		Restated Balance	819,648	339,104
(h)		Employee Related Costs		
		Balance as at 30 June	131,880,118	112,039,681
	(i)	Adjustment of Employee Related Costs	0	-1,572,076
		Restated Balance	131,880,118	110,467,605
(i)		Bad debts		
		Balance as at 30 June	22,956,121	26,360,794
	(iv)	Adjustment of Bad Debts (Note 45)	0	(12,672,000)
		Restated Balance	22,956,121	13,688,794
(j)		Revenue adjustment		
		Balance as at 30 June	285,993,661	266,069,852
	(iv)	Adjustment of Service Charges (Note 18)	0	(12,672,000)
		Restated Balance	285,993,661	253,397,852

		2007 R	2006 R
(k)	Cash and Cash Equivalents		
	Bank balance and cash at the end of the year	301,723,922	244,080,383
(v)	Adjustment of Cash and cash equivalents	0	4,500,000
		301,723,922	248,580,383
	Bank balance and cash at the beginning of the year	248,580,383	187,328,122
	Net increase / (decrease) in cash and cash equivalents	53,143,539	61,252,261
(l)	Revenue adjustment		
	Balance as at 30 June	57,110,089	39,477,609
(vi)	Adjustment of Government grants and subsidies received(Equitable Share) - Operating (Note 19)	0	5,799,605
(vii)	Adjustment of Government grants and subsidies received(Personnel Development Fund) - Operating (Note 19)	0	-1,019,639
	Restated Balance	57,110,089	44,257,575

37 FINANCIAL INSTRUMENTS

(i) Fair values

(IAS 39.09)

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Note Ref in AFS	Carrying Amount 2007 R	Fair Value 2007 R	Carrying Amount 2006 R	Fair Value 2006 R
Financial Assets					
Held-to-maturity investments	11	303,811,696	304,145,669	233,167,808	234,424,142
- Long term deposits		0	0	0	0
- Short term deposits		285,732,381	285,732,381	216,827,241	216,827,241
- Short term deposits - EFF Invested		0	0	0	0
- Short term deposits - Grants Invested		0	0	383,980	383,980
- Investment in RSA Government Stock		18,079,515	18,413,288	15,956,587	15,956,587
Loans and receivables		69,345,544	69,345,544	80,744,827	80,744,827
- Long term debtors	12	2,312,805	2,312,805	23,898,570	23,898,570
- Consumer debtors	14	29,454,992	29,454,992	26,025,593	26,025,593
- VAT receivable	9	8,528,303	8,528,303	0	0
- Other debtors	15	23,390,819	23,390,819	28,182,730	28,182,730
- Current portion of long-term debtors	12	5,658,625	5,658,625	2,637,934	2,637,934
Available for sale		301,723,922	301,723,922	31,369,162	31,369,162
Investment in municipal entities	11	0	0	0	0
Bank balances and cash	16	301,723,922	301,723,922	31,369,162	31,369,162
Financial Liabilities					
Financial liabilities that are not valued at fair value through profit and loss					
- Finance lease liabilities	3	(493,026)	(493,026)	(39,525)	(39,525)
Local registered Stock Loans	3			(2,217,170)	(2,217,170)
Unsecured Bank Facilities :		(236,036,479)	(236,036,479)	(146,741,044)	(146,741,044)
- Annuity loans	3	(227,315,237)	(227,315,237)	(139,743,282)	(139,743,282)
- Other Loans	3	(8,721,242)	(8,721,242)	(6,997,762)	(6,997,762)
Trade and Other Payables		(123,109,878)	(123,109,878)	(69,965,884)	(69,965,884)
- Consumer deposits	5	(8,676,783)	(8,676,783)	(8,100,233)	(8,100,233)
- Unspent conditional grants and receipts	8	(30,017,165)	(30,017,165)	(21,220,866)	(21,220,866)
- Provisions	6	(586,197)	(586,197)	(1,563,608)	(1,563,608)
- Creditors	7	(83,829,733)	(83,829,733)	(59,081,177)	(59,081,177)
		315,241,979	315,575,752	104,318,174	105,574,508
Unrecognised (loss) gain			(333,773)		(1,256,334)

(ii) Effective interest rates and repricing analysis

(IAS 32.67(a), (b))

In respect of income-earning financial assets and interest-bearing financial liabilities,the following tables indicates their average effective interest rates at the reporting date and the periods in which they mature or, if earlier, reprice.

	Note Ref in AFS	Average effective interest rate	Total	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Year ended 30 June 2007								
Fixed rate instruments								
Held-to-maturity investments	11		18,079,515					
- Land Bank			18,079,515		18,079,515			
Unsecured Bank facilities	3		(236,036,479)					
- INCA loan: No.1061		9.00%	(20,898,065)					(20,898,065)
- DBSA loan: No.1062		9.41%	(34,360,848)					(34,360,848)
- INCA loan: No.1063		10.07%	(16,887,087)					(16,887,087)
- ABSA loan: No.1064		10.50%	(16,908,493)					(16,908,493)
- DBSA loan: No.1065		9.41%	(45,160,744)					(45,160,744)
- DBSA loan: No.1066		9.16%	(45,700,000)					(45,700,000)
- DBSA loan: No.1067		9.36%	(47,400,000)					(47,400,000)
- DBSA			(8,721,242)				(8,721,242)	
- STANNIC			0					
Finance Lease Liabilities	3		(493,026)	(493,026)				
			(218,449,990)	(493,026)	18,079,515	0	(8,721,242)	(227,316,237)

							2007 R	2006 R
Variable rate instruments								
- Grants invested	11		0					
- Cash and Cash Equivalents	16		301,723,922	301,723,922				
			301,723,922	301,723,922	0	0	0	0
Year ended 30 June 2006								
Fixed rate instruments								
Held-to-maturity investments	11		232,783,828					
- ABSA Bank		6.50%	42,250,000	42,250,000				
- ABSA Bank		7.00%	69,200,000	69,200,000				
- OLD MUTUAL Bank		6.23%	3,000,000	3,000,000				
- OLD MUTUAL Bank		6.75%	4,000,000	4,000,000				
- OLD MUTUAL Bank		8.00%	4,800,000			4,800,000		
- OLD MUTUAL Bank		7.65%	4,500,000	4,500,000				
- NEDBANK		7.48%	3,000,000	3,000,000				
- NEDBANK & ABSA Bank		7.75%	22,000,000		22,000,000			
- ABSA Bank		8.15%	18,000,000		18,000,000			
- ABSA Bank		7.55%	46,000,000	46,000,000				
- RSA Government Stock		12.49%	16,033,828			16,033,828		
Local registered Stock Loans			(2,217,170)					
- Stock loan: No.16			(1,400,000)	(1,400,000)				
- Stock loan: No.17			(817,170)	(817,170)				
Unsecured Bank facilities	3		(148,741,044)					
- INCA loan: No.1061		9.00%	(22,621,656)					(22,821,656)
- IDBSA loan: No.1062		9.04%	(35,121,626)					(35,121,626)
- INCA loan: No.1063		10.07%	(18,000,000)					(18,000,000)
- ABSA loan: No.1064		10.50%	(18,000,000)					(18,000,000)
- DBSA loan: No.1065		9.41%	(46,000,000)					(46,000,000)
- DBSA			(8,992,309)				(8,992,309)	
- STANNIC			(5,453)	(5,453)				
Finance Lease Liabilities	3		(39,525)	(39,525)				
			81,786,089	169,687,852	40,000,000	20,833,828	(8,992,309)	(139,743,282)
Variable rate instruments								
- Grants invested	11		383,980		383,980			
- Cash and Cash Equivalents	16		31,369,162	31,369,162				
			31,753,142	31,369,162	383,980	0	0	0

(iii) **Risk Exposures**

The municipality is at risk in the following areas:

(i) *Credit Risk*, which is defined as the risk that one party to a financial instrument will fail to honour its obligation, thus causing the other party to incur a financial loss.

(ii) *Interest Rate Risk*, which is defined as the risk that the fair value or future cash flows associated with a financial instrument will fluctuate in amount as a result of market interest changes.

Potential concentrations of credit risk and interest rate risk consist mainly of fixed deposit investments, long-term debtors, consumer debtors, other debtors, short-term investment deposits and bank and cash balances.

The municipality limits its counterparty exposures from its money market investment operations by only dealing with well-established financial institutions of high credit standing. The credit exposure to any single counterparty is managed by setting transaction / exposure limits, which are included in the municipality's Investment Policy. These limits are reviewed annually by the CFO and authorised by the Municipal Council.

Consumer debtors comprise of a large number of ratepayers, dispersed across different industries and geographical areas. Ongoing credit evaluations are performed on the financial condition of these debtors. Consumer debtors are presented net of an allowance for doubtful debt.

In the case of debtors whose accounts become in arrears, it is endeavoured to collect such accounts by "levying of penalty charges", "demand for payment", "restriction of services" and, as a last resort, "handed over for collection", whichever procedure is applicable in terms of Council's Credit Control and Debt Collection Policy.

Long-term Receivables and Other Debtors are individually evaluated annually at Balance Sheet date for impairment or discounting. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment / discounting, where applicable.

The maximum credit and interest risk exposure in respect of the relevant financial instruments is as follows:

	2007	2006
Fixed Deposit Investments	0	0
Investment in Municipal Bonds	0	
Investment in RSA Government Stock	18,079,515	15,956,587
Investment in Municipal Entities	0	0
Long-term Receivables	2,312,805	23,898,570
Consumer Debtors	29,454,992	26,025,593
Other Debtors	23,390,819	28,182,730
VAT Receivable	5,929,226	0
Short-term Investment Deposits	0	383,980
Bank and Cash Balances	301,723,922	248,580,383
Maximum Credit and Interest Risk Exposure	380,891,279	343,027,843

The initial measurement of the financial assets and financial liabilities at fair value have not been revalued for the current financial year due to the exemption granted, in terms of General Notice 522 of 2007. In accordance with this General Notice the accounting policy is in line with the exemptions stated in the above mentioned General Notice.

38 **DEVIATION FROM, AND RATIFICATION OF MINOR BREACHES OF, PROCUREMENT PROCESSES**

In terms of section 36(2) of the Supply Chain Management Policy approved by Council it is stipulated that bids where the formal procurement processes could not be followed must be noted in the financial statements.

The majority of the items mentioned resulted from flood damage that had to be addressed at short notice and the response times did not allow for the complete procurement process to be followed.

The balance of items was due to emergency circumstances and economic benefits for the Municipality.

DEPARTMENT	DESCRIPTION	SUCCESSFUL TENDRER	AMOUNT AND REASONS
Civil Engineering Sep-06	Appointment of contractor for the construction of two culvert crossings and associated roadwork's at Pienaar and Grens, George	New Heights	R3 930 606.57 Including VAT. Flood disaster
Civil Engineering Sep-06	Appointment of contractor for remedial work in Whites Road and Hillside Road, Wilderness	Robcon Civils	R2 298 951.93 Including VAT. Flood disaster
Civil Sep-06	Appointment of contractor for flood damage remedial work in Harold's Bay (21/129c))	New Heights (Pty) Ltd	R2 114 568.79 Including VAT. Flood disaster